

Decision 01-05-033 May 3, 2001

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Compliance Application of Pacific Gas and Electric Company for Approval of Year 2001 Low Income Programs, in Compliance with Ordering Paragraph 4 of Decision 00-09-036. (U 39 M).	Application 00-11-009 (Filed November 6, 2000)
Application of Southern California Gas Company (U 904-G) For Authority to Continue Low Income Assistance Programs and Funding Through 2001.	Application 00-11-011 (Filed November 6, 2000)
Application of San Diego Gas & Electric Company (U 902-E) For Authority to Continue Low Income Assistance Programs and Funding Through 2001.	Application 00-11-012 (Filed November 6, 2000)
Southern California Edison Company Compliance Application for Approval of Year 2001 Low Income Program Plans.	Application 00-11-020 (Filed November 6, 2000)

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**INTERIM OPINION:**

**RAPID DEPLOYMENT OF LOW-INCOME ASSISTANCE PROGRAMS  
DURING THE ENERGY CRISIS**

**1. Introduction and Summary<sup>1</sup>**

By today's decision, we address issues related to the rapid deployment of low-income assistance programs during the energy crisis. We also allocate unspent carry-over and additional funding authorized by the Legislature for low-income energy efficiency programs across the utility program administrators.

Low-income assistance programs consist of rate assistance under California Alternate Rates For Energy (CARE) and direct weatherization and energy efficiency services under the Low-Income Energy Efficiency (LIEE) program. By statute, the investor-owned utilities under our jurisdiction administer both of these programs.<sup>2</sup> Through the public purpose surcharge, Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), Southern California Edison Company (SCE) and Southern California Gas Company (SoCal) collect

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<sup>1</sup> Attachment 1 explains each acronym or other abbreviation that appears in this decision.

<sup>2</sup> Public Utilities (Pub. Util.) Code § 327, added by Stats. 1999. Ch. 700, Sec. 1, Effective January 1, 2000.

approximately \$140 million per year to fund the CARE program, and \$60 million per year for LIEE services.<sup>3</sup>

This funding has been substantially augmented with the passage of Senate Bill (SB) 5 and Assembly Bill (AB) 29 from the First Extraordinary Session (Stats. 2001, ch. 7 and ch. 8, referred to as SBX1 5 and ABX1 29), both passed by the Legislature on April 5 and signed by the Governor on April 11, 2001. SBX1 5 provides a one-time increase to the LIEE program of \$20 million. The bill also authorizes another \$50 million for appliance replacement and other energy efficiency measures, of which we allocate \$25 million to further supplement LIEE funding during the energy crisis. These funds will revert to the General Fund unless they are encumbered by March 31, 2002. In addition, SBX1 5 provides a one-time appropriation of \$100 million to supplement the funding collected in rates for CARE discounts and outreach efforts.

SBX1 5 and ABX1 29, collectively, appropriate an additional \$140 million to the Department of Community Services and Development (DCSD) to augment its state low-income energy assistance programs, including weatherization services. These programs are referred to as the Low-Income Home Energy Assistance Program (LIHEAP), and are delivered through a network of community based organization, or “LIHEAP providers.” ABX1 29 directs the California Conservation Corps

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<sup>3</sup> We refer to these four largest investor-owned utilities throughout the decision as “the utilities” or “utility administrators”. However, as discussed in this decision, rate assistance and weatherization services are also provided by smaller investor-owned utilities with customers in California, such as Southwest Gas Company and Sierra Pacific Power.

to work in coordination with DCSD to deploy a “Mobile Efficiency Brigade” that will purchase and mobilize crews to deliver high efficiency lighting to low-income residences throughout the state. This effort is funded at \$20 million. In adopting this program, the Legislature specifically acknowledged that:

- “Conservation programs require a large mobilization effort across the state, within a short timeframe, in order to affect peak demand anticipated for the summer of 2001 and the subsequent winter”, and
- “Current state programs can work in conjunction with community-based organizations to significantly penetrate communities and rapidly implement programs aimed at conservation and demand reduction”, and
- “The state currently has programs operated and administered by the Department of Community Services and Development and the California Conservation Corps, working in conjunction with and through community-based organizations, that can be expanded to assist in the statewide conservation effort initiated through pending programs.”<sup>4</sup>

It is within this context that we consider how best to rapidly deploy the LIEE and CARE services administered by the utilities. As discussed in this decision, we do not believe that “business as usual” will be adequate to address the needs of low-income customers during this energy crisis.

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<sup>4</sup> ABX1 29, Stats 2001, ch 8, Section 4, § 14421 (a), (d) and (e).

Approximately 1 household out of 5 is eligible for these programs. However, the utilities are currently reaching only about 60% of eligible customers with CARE assistance in the combined service territories, and only a small subset of that amount with comprehensive weatherization services under LIEE. Although there are LIHEAP referral systems in place, the utilities do not currently take other steps to optimize the delivery of weatherization services to low-income customers through leveraging LIHEAP programs. Inadequate coordination between LIEE and LIHEAP also makes it difficult and confusing for the low-income customer to obtain the full range of weatherization services that are collectively offered under these programs.

We find that the status quo simply will not serve a rapid deployment strategy. To mobilize resources most effectively, the provision of weatherization and energy efficiency services should appear as seamless as possible to the client, and be readily coordinated with the extensive low-income assistance programs administered by DCSD. Therefore, we direct utility program administrators to use the funding authorized for LIEE and appliance replacements to leverage the programs provided through DCSD's network of community-based organizations to customers within their service territories.

As explained in this decision, the utilities can do this in several ways. The utility can purchase equipment and appliances in bulk and have a LIHEAP provider install them in eligible low-income homes within the utility service territory, along with additional weatherization measures provided by LIHEAP. The utility can contract directly with a LIHEAP provider to deliver the LIEE program, so that LIHEAP provider can use

funds from both LIEE and LIHEAP to provide a comprehensive set of services. In addition, the utility can enter into a memorandum of understanding (“MOU”) with LIHEAP providers to complete units in a coordinated manner, using LIEE contractors to install measures not provided under LIHEAP, for example.

To ensure that the network of community-based providers is fully and effectively utilized for rapid deployment, we authorize the utilities to also use LIEE funds to leverage low-income weatherization services provided by non-LIHEAP community service providers, under certain circumstances. If there are no LIHEAP providers or non-LIHEAP community-based organizations that can, or are willing to, provide weatherization services in a particular geographic area, then utilities also have the option to implement today’s rapid deployment strategy with other types of service providers, including private contractors. We provide the utilities considerable flexibility in deciding which of the three approaches, and in what combination, to employ. In this way, a utility can develop the leveraging strategy that is most compatible with its existing delivery system.

The leveraging approach we adopt today will require a shift in thinking within the utility program infrastructure. Instead of considering the LIEE program as a stand-alone activity that provides referrals to DCSD programs, utility administrators and their contractors also need to view the LIEE program as a leveraging vehicle to rapidly expand and enhance the delivery system in place through DCSD’s network of LIHEAP providers. We believe that this shift in thinking is warranted by the dire situation facing low-income customers during the energy crisis, and

needed to ensure the efficient and effective deployment of all of the State's resources appropriated for this purpose.

In order to maximize both peak load reductions and bill savings during the coming months, we also authorize the utilities to offer the following new measures under the LIEE program, on a pilot basis: high efficiency air conditioners, duct sealing and repair, whole house fans, high efficiency water heaters, the installation of set-back thermostats and evaporative cooler maintenance. In addition, we authorize the utilities to install LIEE equipment measures (e.g., refrigerators, air conditioners, evaporative coolers and hard-wired fixtures) in rental units, on an interim basis. However, landlord co-payments are required under certain circumstances.

On the CARE side, one of the most effective ways to increase enrollment is to ensure that eligible low-income customers fill out CARE applications when they obtain other types of low-income assistance through community-based organizations or other agencies. All parties acknowledge that many of these organizations operate under restrictive reimbursement rules that do not allow them to recover the costs of providing such a service, without funding specifically targeted for that purpose.

To ensure that these organizations are adequately compensated for the time they spend helping their clients fill out CARE applications, we initiate a "capitation" fee of up to \$12 per eligible, CARE enrollment. Utilities are given the latitude to contract with different entities at varying levels of capitation fee (ranging from \$0 to \$12) in a manner that appropriately addresses the specific circumstance of that service provider.



As discussed in this decision, this latitude also permits the utility the discretion to not offer capitation fees when, for example, new enrollments result from separately-funded CARE outreach activities.

Of the \$100 million authorized by the Legislature for CARE, we allocate \$15 million to cover the cost of capitation fees and to expand targeted outreach efforts. The \$15 million is allocated to the utilities using the allocation factors approved by the Commission in Resolution E—3585, which results in the following:

SoCal:	\$3.75 million
PG&E:	\$4.50 million
SCE:	\$4.50 million
SDG&E:	\$2.25 million

The utilities are directed to use a portion of these funds to leverage and coordinate with the outreach efforts funded under DCSD’s LIHEAP program, and may spend up to \$2 million in non-English radio and print advertising for CARE in coordination with DCSD. The remaining \$85 million will be allocated to the utilities to cover the increased costs of CARE rate subsidies on an “as needed” basis. Within 60 days, the utilities are required to file Advice Letters that include the following information:

- (1) authorized CARE funding currently in rates.
- (2) actual expenses to date for CARE administrative costs (including outreach), and subsidies/credits.
- (3) projections of CARE rate subsidy costs over the next 12 months, including projections of new enrollments.
- (4) a proposed allocation of the \$90 million to cover those costs, based on need that cannot be covered with surcharge-generated revenues.

As described in today's decision, we allocate the new funds for LIEE based on the allocation factors adopted by the Commission in Res. E-3585, taking into account the disproportionate availability of LIEE carryover funding among utilities. This approach puts proportionately more new money in geographic regions where all available funding has been utilized in prior program years.

We also set aside \$5 million of the new LIEE funding for a second round allocation to the smaller jurisdictional utilities. The allocation of these funds among these utilities, as well as the allocation to these utilities of new funding for CARE, will be addressed in a subsequent Commission decision. Energy Division will hold workshops and develop recommendations on these issues for our consideration.

Our adopted allocation of LIEE carryover and new funding, by utility, is summarized below. We also present the current annual authorization for LIEE funding that is recovered in rates, in order to present the full amount of funding available for rapid deployment of LIEE programs:

	PY2001 LIEE AUTHORIZED (ANNUAL IN RATES)	CARRYOVER FUNDING WITH INTEREST (ONE TIME)	ALLOCATION OF NEW FUNDING (ONE-TIME)	TOTAL AVAILABLE FOR RAPID DEPLOYMENT
<b>SoCal</b>	\$17,999,796	\$14,786,894	\$4,779,330	\$37,566,020
<b>PG&amp;E</b>	\$29,109,000	\$31,043,794	\$0	\$60,152,794
<b>SDG&amp;E</b>	\$6,423,292	\$232,743	\$11,506,991	\$18,163,026
<b>SCE</b>	<u>\$7,174,000</u>	<u>-\$234,211</u>	<u>\$23,713,679</u>	<u>\$30,653,468</u>
	<b>\$60,706,088</b>	<b>\$45,829,220</b>	<b>\$40,000,000</b>	<b>\$146,535,308</b>

We eliminate existing restrictions in fund-shifting among the various weatherization and energy efficiency measures. In using new LIEE funding authorized under SBX1 5, SDG&E may change cost

allocation ratios between its gas and electric departments, based on an analysis of the cost of the new measures we adopt today. However, we continue to require that dual-fuel utilities obtain prior Commission approval (via Advice Letter) before shifting LIEE funds collected in rates (e.g., carryover funding) between their gas and electric departments.

As discussed in this decision, the utilities expenditure of SBX1 5 funds must also comply with the requirements of the statute that 1) administrative costs be limited to not more than 2.5% of expended LIEE funds and 2) not less than 85% of the new LIEE funding be spent for direct purchases and installations.

Consistent with the direction in SBX1 5, we require utility administrators to segregate all CARE and LIEE funding authorized today, including those funds collected through the public purpose surcharge, from all other utility funds. The utilities are directed to hold these LIEE and CARE program funds in trust for the benefit of the Commission until they are expended.

Today's adopted rapid deployment strategy should continue until further Commission order. We anticipate the need to continue these efforts through the end of 2001, and perhaps well into 2002. The Assigned Commissioner, Administrative Law Judge or Energy Division may initiate checkpoint meetings, workshops or other forums, as appropriate, to monitor utility activities during this period.

In the meantime, the utilities are expected to comply with all of the reporting and program evaluation requirements we have established for the CARE and LIEE program to date. In addition, we require utility administrators to file regular status reports on the results of their rapid

deployment efforts. The initial status report will be due 60 days from the effective date of this decision. Status updates will be due every 30 days thereafter, until further order by the Commission or Assigned Commissioner. These reports should include:

- (1) a description of the leveraging and outreach activities for both LIEE and CARE programs, including bulk purchases.
- (2) the number of CARE enrollments and LIEE measure installations completed (by type of measure), as well as the number initiated but not completed (by type of measure) to date.
- (3) estimated energy savings, including peak electric load reductions for the LIEE program.
- (4) estimated customer bill savings and
- (5) authorized funding versus actual expenditures by budget category. Expenditures on capitation fees should be tracked as a separate line item.
- (6) a worksheet showing the percentage of new LIEE funding that is spent on direct purchases and installations of LIEE measures so that compliance with SBX1 5 Section 5(h) can be monitored, and
- (7) a worksheet showing the percentage of new LIEE funding that is spent on administrative costs, so that compliance with SBX1 5 Section 5(c)(2) can be monitored.
- (8) description of the outreach provided to California Indian tribes so that compliance with SBX1 5 Section 5(j) can be monitored.

The energy crisis has overshadowed our “business as usual” program planning process. Until further notice, we suspend the PY2002 planning cycle as contemplated in D.00-07-020, including further consideration of pay-for-measured savings pilots and competitive bid

outsourcing. Efforts to further standardize program procedures and reporting should continue, however. These efforts will improve service delivery and our ability to effectively evaluate program results.

Today's decision represents a major "call to arms" to protect the interests of low-income customers during this energy crisis. The utilities should implement the rapid deployment strategy described herein, without further delay.

## **2. History of CARE and LIEE Programs**

Rate assistance under CARE is provided consistent with Pub. Util. Code §§ 739.1 and 739.2. Under this program, eligible low-income households and group living facilities currently receive up to a 15% rate discount for their electric and gas consumption. In addition, these customers are exempt from the rate surcharges adopted in D. 01-01-018 and D.01-03-082. Funding for CARE discounts and program administration is currently approximately \$140 million per year for PG&E, SDG&E, SCE and SoCal, combined.

Direct assistance to low-income customers in the form of energy efficiency education and measures became a statutory requirement in 1990 with the passage of Senate Bill (SB) 845.<sup>5</sup> SB 845 added § 2790 to the Pub. Util. Code, which was amended by Assembly Bill (AB) 1393 effective January 1, 2000. This statute directs the Commission to require gas and electric corporations to perform home weatherization services for low-

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<sup>5</sup> Some of the utilities, such as PG&E and SDG&E, provided weatherization services to low-income customers prior to the passage of SB 845.

income households, and defines those services to include the following “Big Six” measures: (1) attic insulation; (2) caulking; (3) weatherstripping; (4) low flow showerheads; (5) water heater blankets and (6) door and building envelope repairs which reduce infiltration.

Pub. Util. Code §2790 directs the utilities to provide as many of these Big Six measures “as feasible for each eligible low-income dwelling unit.” Weatherization services may also include other building conservation measures, energy efficiency appliances and energy education programs “determined by the commission to be feasible, taking into consideration for all measures both the cost effectiveness of the measures as a whole and the policy of reducing energy-related hardships facing low-income customers.”

For example, relamping (i.e., replacing incandescent bulbs with compact fluorescent lamps, or “CFLs”) has become a standard service beyond the Big Six for SCE and PG&E. In addition, all of the utilities provide in-home energy education as part of their direct assistance programs. More recently, the Commission directed the utilities to include measures in their standard weatherization services that they have not included in the past, at least on a trial basis.<sup>6</sup> These include energy efficient refrigerators, gas furnace repair and replacement, water heater pipe wrap, faucet aerators, evaporative coolers, evaporative cooler covers,

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<sup>6</sup> Resolution (Res.) E-3586, issued on January 20, 1999, Ordering Paragraph 1 c), g) and k). The set of required measures varies among utilities, but all are required to include refrigerator replacement for all customer-owned refrigerators, regardless of dwelling ownership.

outlet gaskets, porch light fixtures, and attic ventilation as a stand-alone measure.

The weatherization services described above are provided at no cost to eligible low-income households under the LIEE program. The current annual budget for LIEE is approximately \$60 million per year for SDG&E, SCE, SoCal and PG&E, combined.

### **3. Program Year 2001 Planning for CARE and LIEE**

Planning for program year (PY) 2001 took place during 2000, along with Phase 1 of our ongoing efforts to standardize installation standards and other policies and procedures for the LIEE program. By D.00-09-036, the Commission directed the continuation of PY2000 low-income assistance programs through 2001, stating that “further review of the utilities’... program plans and budgets is not warranted.” (D.00-09-036, mimeo. p. 53.) The Commission required the utilities to file certain information related to their low-income assistance programs, but no further program review was contemplated.

On November 6, 2000, the utilities filed compliance applications, which initiated this proceeding. The applications included the information required by D.00-09-036, as well as a proposal to update the PY 2000 LIEE shareholder incentive mechanism for program year (PY) 2001 and a proposal to modify current fund shifting rules. The Office of Ratepayer Advocates (ORA) and Residential Service Companies’ United Effort (RESCUE) filed comments on the utilities’ applications.

The assigned Administrative Law Judge (ALJ) held a joint prehearing conference (PHC) in this proceeding and R.98-07-037 on February 15, 2001. At the PHC, and by subsequent Assigned

Commissioner's ruling, the focus of this proceeding was shifted to the development of a rapid deployment strategy for low-income assistance programs during 2001.<sup>7</sup> The impetus for this change was the current energy crisis and the need to reach as many eligible customers as possible with these programs, and as quickly as possible. The utilities and interested parties were directed to consider modifications to outreach and marketing efforts or program enhancements with respect to the services provided, as appropriate. They were also directed to consider the use of carryover funds or additional sources of funding provided by the Governor or Legislature for this purpose.

Energy Division coordinated workshops to address the rapid deployment of programs and services on March 7 and 14. Workshop participants included the utilities, representatives from community-based organizations, private energy service providers, DCSD, the Office of Ratepayer Advocates (ORA), Greenlining Institute and Latino Issues Forum (G/LIF), among others. Energy Division issued the draft workshop report for comment on March 21, 2001. Comments on the draft report were filed on April 2, 2001 by Bo Enterprises, G/LIF, PG&E, SDG&E/SoCal, SCE, SESCO, Inc. (SESCO) and Winegard Energy (Winegard). Reply comments were filed on April 9, 2001 by G/LIF, SDG&E/SoCal, SCE, SESCO and ORA. Based on the comments and replies, Energy Division issued a final workshop report on these issues on April 17, 2001.

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<sup>7</sup> See Assigned Commissioner's Ruling dated March 2, 2001.



#### **4. Scope of Decision**

Today's decision addresses the program deployment issues raised in the workshops and comments on the workshop report. We also address fund-shifting flexibility as it relates to the low-income energy efficiency program in today's decision.

By subsequent order, we will address other PY2001 compliance issues, including the PY2001 shareholder incentive mechanism, ratemaking treatment for CARE administrative expenses, and other issues raised in the compliance applications and March 22, 2001 workshops.

By D.01-03-082 issued on March 27, 2001 in Application 00-11-038, the Commission increased the CARE eligibility levels from 150% of federal poverty guidelines to 175% for electric customers of PG&E and SCE. The Commission stated that it would "move quickly to address the applicability of the changes we make here to all jurisdictional utilities" in this proceeding. (D.01-03-082, mimeo, p. 3, footnote 2.) The Commission also determined that the issue of an increased CARE discount for both electric and gas customers "should be addressed expeditiously" in this proceeding. (D.01-03-082, Conclusion of Law 29.) These issues are being addressed in a separate, concurrent process, consistent with the Administrative Law Judge's April 3, 2001 ruling. They are not addressed in today's decision.

## **5. No Hearings Required**

The Commission preliminarily determined that a hearing would be needed in this proceeding.<sup>8</sup> By Assigned Commissioner's Ruling dated March 2, 2001, Commissioner Wood adopted a procedural approach that would not require evidentiary hearings. We have considered our preliminary determinations in this matter and the Assigned Commissioner's ruling, and find that a hearing is not needed to address the compliance and rapid deployment issues addressed in today's decision.

## **6. Discussion**

Attachment 2 presents the consensus and non-consensus issues related to the deployment of low-income assistance programs during the energy crisis. In the following sections, we discuss the reasoning behind our conclusions on these issues and others raised in comments, concentrating on the chief points of contention.

### **6.1 Rapid Deployment Strategy for LIEE**

The key focus of today's decision is to make low-income assistance programs available to those who need it the most during the energy crisis, as rapidly and extensive as possible. Parties agree on this goal but differ greatly on how best to achieve it, particularly with respect to the LIEE program.

The utilities request considerable flexibility to implement LIEE programs through their existing delivery systems, and request authority to

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<sup>8</sup> See ALJ-Resolution 176-3051 dated November 21, 2000.

expand services to include appliances and measures that have not been provided under the LIEE program in the past, e.g., replacement of inefficient air conditioners with more efficient ones. G/LIF urges the Commission to implement rapid deployment through a network of community-based organizations that would leverage other programs that provide services to low-income households. Winegard and others recommend that the utilities contract with service providers to go back to customers who did not receive CFLs and faucet aerators and install these measures over the next few months.

We believe that “business as usual” is simply not adequate to address the needs of low-income customers during this energy crisis. Several factors affect our thinking on how best to rapidly deploy programs to provide rate assistance and energy efficiency services to the low-income community in the near future.

First, as indicated in Table 1 below, although approximately 1 household out of 5 is eligible for these programs, utility programs are currently reaching only about 60% of this population with CARE rate assistance in the combined service territories.<sup>9</sup> Only a small subset of this amount is being provided with comprehensive weatherization services under the LIEE program. This indicates to us that the current implementation structure for these programs is not well-suited to rapid deployment of current and expanded services.

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<sup>9</sup> 1,648,000 (households enrolled in PG&E, SoCal, SCE and SDG&E’s service territory divided by 2,725,000, the estimated number of households eligible for CARE services for these utilities.

**Table 1**

<b>Utility</b>	<b>Approximate CARE Enrolled</b>	<b>Estimated Eligible</b>	<b>Estimated Penetration Rate</b>	<b>Total Residential Customers</b>	<b>Estimated CARE Eligible/ Residential Customers</b>
PG&E	370,000	834,000	44%	4.7 Million	18%
SoCal Gas	561,000	823,000	68%	4.7 Million	18%
SCE <sup>10</sup>	570,000	843,000	68%	3.7 Million	23%
SDG&E	147,000	225,000	65%	1.04 Million	22%

Second, the LIEE program implemented does not adequately leverage the resources the Low-Income Home Energy Assistance Program (LIHEAP) administered by the Department of Community Services and Development (DCSD). Although there are LIHEAP referral systems in place, the utilities do not currently take other steps to optimize the delivery of weatherization services to low-income customers through leveraging LIHEAP programs.<sup>11</sup> For example, LIEE measures (e.g., efficient refrigerators) are not installed in LIHEAP-weatherized homes, even if those measures are not offered under LIHEAP and would result in significant peak load savings and bill savings to the customer. Moreover, inadequate coordination makes it difficult and confusing for the low-income customer to obtain the full range of services that are collectively

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<sup>10</sup> SCE's enrollment numbers are of March 28, 2001 and SCE's penetration rate is based on 150% poverty level guidelines. See Workshop Report, p. 10.

<sup>11</sup> See the April 2, 2001 reports filed in R.98-07-037/A.99-07-002 et al. by SDG&E, SoCal, SCE and PG&E on their referral systems and program leveraging efforts.

offered under these programs. Low-income customers currently receive separate literature and applications from different entities regarding the utility, state and federal programs, are referred to separate 800 phone numbers for these programs and need to make multiple appointments with different program grantees or contractors to obtain the full range of services. As several workshop participants point out, this does not serve a rapid deployment strategy. Simply put, the provision of weatherization and energy efficiency services under LIEE should appear seamless as possible to the client, and effectively leverage other resources allocated to assisting customers with their energy bills.

Third, the Legislature has recently articulated a strategy for expanded deployment of energy efficiency services to the low-income community that should be considered in developing one for the LIEE program. By Senate Bill 5, signed by the Governor on April 11, 2001, the Legislature allocated an additional \$140 million to DCSD to supplement its LIHEAP activities, working through the network of community-based organizations that serve as grantee agencies to the program.<sup>12</sup> These activities include weatherization and conservation services, energy crisis intervention and cash assistance payments.<sup>13</sup> Up to 15% of the funds may be used for outreach and training for consumers.

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<sup>12</sup> \$20 million of this amount was earmarked to increase weatherization efforts in areas served by locally owned public utilities. See the line item vetoes of Governor Davis, described in the chaptered version of the bill.

<sup>13</sup> The Legislature directs that the “maximum feasible amount” of these funds, but in no event less than 50%, must be used for direct weatherization assistance. Section 5(g)(5)(D).

The Governor also signed Assembly Bill (AB) 29 on the same day.<sup>14</sup> Among other things, this bill establishes a “Mobile Efficiency Brigade” to purchase materials and mobilize crews to deliver high efficiency lighting to low-income residences throughout the state. For this purpose, \$20 million in general funds has been allocated to the California Conservation Corps, working in consultation with DCSD and its network of service providers. In adopting this program, the Legislature specifically acknowledged that:

- “Conservation programs require a large mobilization effort across the state, within a short timeframe, in order to affect peak demand anticipated for the summer of 2001 and the subsequent winter”, and
- “Current state programs can work in conjunction with community-based organizations to significantly penetrate communities and rapidly implement programs aimed at conservation and demand reduction”, and
- “The state currently has programs operated and administered by the Department of Community Services and Development and the California Conservation Corps, working in conjunction with and through community-based organizations, that can be expanded to assist in the statewide

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<sup>14</sup> The chaptered versions of ABX1 29 and SBX1 5, including the Governor’s line vetoes can be viewed at [www.leginfo.ca.gov](http://www.leginfo.ca.gov).

conservation effort initiated through pending programs.”<sup>15</sup>

It is within this context that we consider the most effective strategy for the rapid deployment of services to low-income customers through the LIEE program, including the increased funding available through unspent carryovers (see below) and through legislative action. By SBX1 5, the Legislature specifically augmented funding for the LIEE program by \$20 million and also authorized \$50 million for a residential appliance replacement program with priority given to “low- and moderate-income households.” As discussed further below, by today’s decision we allocate half of that authorized funding (\$25 million) to further augment current LIEE program activities.

The Legislature has directed that LIEE programs are to be administered by the utilities.<sup>16</sup> Nonetheless, this Commission has full authority to direct the utilities to implement these programs in a manner that best serves low-income customers. We believe that the most effective way to maximize the penetration of these services to low-income households is to use the funding authorized for LIEE and appliance replacements to leverage the programs provided through DCSD’s network of community-based organizations under LIHEAP.<sup>17</sup> As G/LIF point out

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<sup>15</sup> ABX1 29, Stats 2001, ch 8, Section 4, § 14421 (a), (d) and (e).

<sup>16</sup> Public Utilities Code § 327, added by Stats. 1999, Ch. 700, Sec. 1. Effective January 1, 2000.

<sup>17</sup> This network consists of current LIHEAP grantees/agencies, as well as additional contractors to be selected via an RFP process “if additional capacity is

*Footnote continued on next page*

in their comments, there are three leveraging scenarios that are compatible with this strategy:

- (1) A utility company purchases, for example, energy efficient refrigerators and air conditioners in bulk through a MOU with DCSD or LIHEAP providers. That equipment is installed by a LIHEAP provider within the utilities' service territories, using LIHEAP funds. The LIHEAP agency can now pay for additional weatherization measures for that unit, or weatherize more units.
- (2) A utility contracts with a LIHEAP agency to deliver its LIEE program. The agency installs measures in a unit using funds from both the LIEE and LIHEAP programs.
- (3) A memorandum of understanding ("MOU") is developed between the utility and the LIHEAP provider to complete units in a coordinated manner for each individual client or low-income neighborhood within the service territory. For example, a utility company installs weatherization measures authorized under the LIEE program and the LIHEAP provider installs additional measures allowable under LIHEAP, or vice versa.<sup>18</sup>

We qualify this leveraging concept in one important respect. Funds authorized under the utility-administered programs have been collected in

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needed beyond the current network, or if vulnerable populations cannot be served within the existing contracts." (SBX1 5, Section 5 (g) (7) (C).)

<sup>18</sup> The MOU would need to specify which program recipients would receive the LIHEAP weatherization program and which would receive the LIEE weatherization program, since both could not be deployed in the same household.



rates or authorized by the Legislature “for customers of electric and gas corporations subject to commission jurisdiction”. (SBX1 5, Section 5 (a)). Therefore, these funds should be used exclusively to leverage program services to these same customers, and not to customers in other geographic regions in the state (e.g., areas served by public utilities).

With respect to bulk purchasing by utility administrators under leveraging scenario 1, we require that installers of these measures remove all replaced equipment or packaging materials, etc., from the premises and, in the case of refrigerator replacements, arrange for the removal and recycling of the replaced unit. These basic requirements of the LIEE program should not be abandoned under a bulk purchasing scenario. Moreover, in order to ensure adequate monitoring and reporting of results under this scenario, the utility administrator should obtain from the installer the following information (at a minimum): when the equipment was installed, proof of delivery, proof of equipment qualification (i.e., age that the primary refrigerator was replaced), and energy savings. We also clarify that, with respect to leveraging scenarios 2 and 3 above, we do not require utility administrators to enter into contracts or MOUs with each and every one of DCSD’s LIHEAP-providers within its service territory. This could be administratively unwieldy, especially during a rapid deployment period. Accordingly, utilities may select a subset of LIHEAP providers (some of which they may contract with directly already) to cover their service territories.

We recognize that some LIHEAP providers may not have the capacity to deploy the ambitious and rapid deployment program we envision without working in close partnership with other community

service providers in the area, such as those that currently provide energy efficiency services through other funding mechanisms. We encourage LIHEAP providers to develop such partnerships in implementing the rapid deployment strategy we adopt today. To ensure that the network of community-based providers is fully and effectively utilized for rapid deployment, we believe that the utilities should have the flexibility to also use LIEE funds to leverage low-income weatherization services provided by non-LIHEAP community service provider(s) under certain circumstances.<sup>19</sup> In particular, utility administrators may apply any one or all of the three leveraging scenarios described above to non-LIHEAP community service providers in those instances where:

- 1) leveraging exclusively through the LIHEAP provider would cause a bottleneck in service delivery for the LIEE weatherization programs, and
- 2) the non-LIHEAP community service provider has experience in providing weatherization, home repair, job training or other services through other funding mechanisms to the low-income community being served, and
- 3) a MOU or other coordination arrangement exists between the LIHEAP and non-LIHEAP community service provider to ensure that weatherization efforts are coordinated without duplication.

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<sup>19</sup> We use the terms “community service provider” and “community-based organization” interchangeably in this decision, and define them as the Legislature has in ABX1 29, Chapter 4, §14422 (a): “Community-based organization means a nonprofit corporation that is exempt from income taxation under Section 501(c)(3) of the Internal Revenue Code of 1986.”

Our adopted rapid deployment strategy focuses on leveraging the state and federal resources available through DCSD's network of community-based organizations under LIHEAP and, as clarified above, through other community service providers that work in close coordination with LIHEAP where there are potential bottlenecks in the LIHEAP delivery system. However, we do not preclude the utilities from also utilizing other entities (e.g., private contractors) in their rapid deployment plans. Under leveraging scenario #3, the utilities may enter into MOU arrangements with LIHEAP agencies (or non-LIHEAP community-based organizations, under the circumstances described above) to deploy weatherization crews from private companies to ensure full geographic and service coverage. Moreover, if there are no LIHEAP providers or non-LIHEAP community-based organizations that can (or are willing to) provide weatherization services in a particular geographic area, then the utilities may implement today's rapid deployment strategy with private contractors to serve those areas. As described further below, we give the utility discretion on deciding which approach to utilize so that it may effectively integrate its current infrastructure (and existing contracts with LIEE providers) with the rapid deployment approach we adopt today.

Some parties urge us to immediately institute "one stop shopping" for customers, so that they do not have to go to various agencies to receive the help they need. However, we agree with SCE and others that this is problematic as a vehicle for rapid deployment at this time. For example, a weatherization contractor may not have the proper licensing for installing

evaporative coolers or air-conditioning systems and therefore would be unable to install all eligible measures to a qualified low-income customer. Requiring that every low-income customer be served through a single input-process (e.g., through a LIHEAP agency) could also limit the number of customers that can be identified and qualified for LIEE and CARE, especially during the coming months. We believe that closer coordination and the leveraging of resources, as described above, is the most viable and effective means of improving service delivery at this time.

Until further order of the Commission, utility administrators should rapidly deploy LIEE services using the leveraging scenarios described above. Utilities can utilize any one or combination of these scenarios, but we emphasize that the focus must be to augment the resources of the LIHEAP to provide services to low-income households as seamlessly as possible within their service territories. We reject Weingard's proposal to authorize LIEE contractors to return to treated homes with compact fluorescent bulbs or faucet aerators unless it is part of a coordination effort with the LIHEAP delivery system and Mobile Efficiency Brigade, utilizing the leveraging scenarios discussed above.<sup>20</sup> For similar reasons, we also reject the proposal put forth by G/LIF to distribute CFLs to households throughout California using LIEE funding administered by a new low-income task force.

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<sup>20</sup> Moreover, any newly formed CFL distribution effort would need to be carefully coordinated to ensure that providers are not simply returning to households that have already received them through the LIEE program. See, for example, SDG&E/SoCal's Reply Comments, p. 3.

We recognize, as do several workshop participants, that this leveraging approach will require a shift in thinking within the utility program infrastructure. Instead of considering the LIEE program as a stand-alone, activity with referrals to DCSD's program, utility administrators and their contractors also need to view the LIEE program as a leveraging vehicle to rapidly expand and enhance the delivery system in place through DCSD's network of LIHEAP providers. We believe that this shift in thinking is warranted by the dire situation facing low-income customers during the energy crisis, and needed to ensure the efficient and effective deployment of all of the state resources appropriated for these programs.

This approach will require added effort on the part of utility administrators to develop MOUs or bulk purchase arrangements with DCSD and its LIHEAP providers, in some instances. However, no rapid deployment strategy can be implemented without added effort. The alternatives presented by parties to this proceeding simply fail to promote a strategy that effectively leverages resources for these programs and meets the needs of the low-income client in a coordinated, "user friendly" manner.

To facilitate this deployment strategy, we afford utility administrators the flexibility to determine which of the above leveraging scenario(s) will be best suited to their current implementation infrastructure. For example, for the last 15 years, SCE has been purchasing CFLs and evaporative coolers in bulk through manufacturers and shipping these appliances to participating community-based organizations and private contractors for installation in low-income customer homes.

SDG&E currently has a prime contractor in place that is contractually obligated and available to purchase appliances in bulk. Therefore, SCE and SDG&E may find the leveraging scenario that involves bulk purchasing of this equipment to be very compatible with its current infrastructure. Nothing in today's order precludes SCE or SDG&E from continuing this practice, or expanding their purchasing efforts with additional funding allocated to their LIEE programs or with "pooled" resources from the other utilities' budgets.<sup>21</sup>

In terms of equipment installation, both SDG&E and SCE have contracts with community-based organizations that are LIHEAP providers, and these providers can continue to install the equipment that the utilities purchase in bulk. SCE and SDG&E would then need to enter into a MOU with these providers to ensure that any LIEE contractors that are not currently grantees under the LIHEAP program are well coordinated with the LIHEAP effort, including program expansion plans. Such agreements could involve a coordinated effort to serve low-income customers on a neighborhood-by-neighborhood basis (to maximize the efficiencies of weatherization crews), or to serve individual clients as they approach the LIHEAP service provider for other types of assistance, as appropriate. As discussed in Section 6.3 below, such arrangements could also involve having LIEE contractors install LIEE equipment measures (e.g., refrigerators or evaporative coolers) in LIHEAP- weatherized homes.

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<sup>21</sup> See Section 6.7 on funding flexibility.

For utilities that do not have an established bulk purchasing infrastructure, being able to “piggy back” on the efforts of other utilities or DCSD, may be the preferred leveraging option. Utilities that currently contract with non-LIHEAP providers have two options. As discussed above, under certain circumstances the utilities may leverage directly with a non-LIHEAP community service provider instead of (or in addition to) the LIHEAP provider in the area. Alternatively, utilities that currently contract with non-LIHEAP providers (e.g., private contractors) may find the MOU leveraging scenario to be most compatible with their current delivery system. The MOU approach may make the most sense where current LIHEAP providers cannot expand rapidly to meet the increased need for services, or where they do not have all of the requisite licenses to install approved measures. Utility program administrators also have the option of contracting directly with LIHEAP agencies to expand services under the LIEE program. In sum, the rapid deployment strategy adopted today provides utility administrators with various options for rolling out the expanded LIEE program quickly and effectively. We also provide program administrators with considerable flexibility to allocate funds across budget categories in implementing the PY2001 programs. (See Section 6.7 below.)

## **6.2 New LIEE Measures**

Workshop participants generally agree that carryover and new funds should be used not only to reach more low-income households with current LIEE services, but to also offer new energy efficiency measures. There is some disagreement, however, over what new measures should be

authorized at this time, whether they should be made available in all service territories, and whether renters should be eligible to receive them.

As parties to this proceeding recognize, under “business as usual” procedures, we would introduce a new measure to the LIEE program only once it had passed a set of consistent statewide criteria that had been considered with input from interested parties.<sup>22</sup> By D.00-09-036, we acknowledged that there was “simply insufficient time and resources” to “consider new proposals for measure eligibility in PY 2001,” and deferred this issue to the post-2001 program planning timeframe.”<sup>23</sup> However, in light of the current energy crisis, we believe that further delay in adding new measures will not serve the public interest.

We believe that peak load savings and bill savings can be accelerated and enhanced by authorizing additional measures under the LIEE program. In particular, we note that the LIEE program currently offers only one technology to reduce peak air conditioning loads on the electric system, namely, evaporative (“swamp”) coolers. While the replacement of air conditioners with evaporative coolers is effective and energy--efficient in certain climate zones, in other areas this technology simply does not address the cooling needs of low-income customers due to high humidity levels. Whole house fans is another option that can meet space cooling needs and use less energy than air conditioning, in certain areas. Therefore, we believe it is appropriate to move ahead at this time

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<sup>22</sup> See D.00-09-036, mimeo, pp. 23-25.

<sup>23</sup> *Ibid.*, p. 25.



and authorize these and other new measures under the LIEE program, on a pilot basis.

However, LIEE funds should not be used for experimental measures. We only authorize those proposed new measures for which there are installation standards currently in place, either in the standardized LIEE weatherization manual or under other utility energy efficiency programs (e.g., the Hard-To-Reach Program). Moreover, we focus on measures that can be easily integrated into the leveraging strategy to provide meaningful peak reductions and bill savings.

Based on these criteria, we authorize the following new measures for the LIEE program on a pilot basis: the replacement of inefficient air conditioners with high efficiency models, duct sealing and repair, whole house fans, the replacement of inefficient or inoperable water heaters with high efficiency units and the installation of set-back thermostats. Replacement of existing air conditioners with high efficiency models should be limited to areas where swamp coolers do not make sense because of humidity or where their effectiveness is limited because of extreme heat during the summer months. In particular, air conditioners should be replaced only in those climate areas that are not covered by the current evaporative cooler program or where temperatures regularly exceed 100 degrees during summer months. Where it is practical to install and effective, a whole house fan should be installed as an alternative to air conditioner replacement. Further, in order to ensure against inappropriate “fuel switching” in the replacement of operating water heaters, we add the requirement that the new unit must not increase source-British Thermal Unit (BTU) consumption.

We are persuaded by the comments of SCE and others that proper maintenance significantly improves the performance and life of evaporative coolers, thereby resulting in greater energy savings. Therefore, we also authorize evaporative cooler maintenance as a new measure. However, we do not approve PG&E's proposed torchiere turn-in program because it may be duplicative of the program authorized under ABX1 29 for the delivery of high efficient lighting to low-income customers by the California Conservation Corps. We also do not approve SoCal's proposed new Energy Education School Pilot for two reasons.<sup>24</sup> First, we do not believe that a new, small (\$200,000) education pilot will be as effective as deploying more services directly to the low-income household. Second, this effort appears duplicative of the \$7 million program authorized by SBX1 5 to teach school children about energy efficiency in the home and school, which will be administered by the California Energy Commission.

Some parties propose that each utility have the flexibility to introduce a selected number of new measures, but not necessarily the same ones as other utilities. We disagree. The new measures we authorize today should be made available to all eligible low-income customers. To selectively introduce these new measures would, in our view, cause confusion on the part of low-income customers and service providers, and unduly limit the data needed for our evaluation of the pilot. Differences based on climate zones are acceptable (e.g., for evaporative coolers, air

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<sup>24</sup> Workshop Report, Attachment H.

conditioners or whole house fans), as long as customers located in similar climate zones are offered the same services and measures, regardless of which utility administers the program. The utility administrators should offer these new measures to its customers through any one of the leveraging scenarios described in Section 6.1 above.<sup>25</sup>

Parties also raise the issue of whether renters should be eligible for LIEE equipment measures (e.g., air conditioners, evaporative coolers, refrigerators and hard-wired fixtures). For post-2001 programs, this issue is being addressed during Phase 3 of the standardization project. Preliminary recommendations by the Standardization Team were presented and discussed at public workshops on April 3 and April 10, 2001. However, full consideration of these recommendations, and interested parties' comments, will not be completed until later this year. Therefore, we can either retain the status quo, or establish an interim policy that may be superceded by the results of our determinations in Phase 3 for subsequent program years. Under the status quo, the eligibility of rental units for LIEE equipment measures varies across utility service territories. For example, only SCE offers permanently-installed evaporative coolers for renter-occupied dwellings at this time. Continuing the status quo will leave many vulnerable low-income tenants exposed to

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<sup>25</sup> We do not concur with the implication in G/LIF's workshop statement that LIEE funds be used to purchase other household equipment for installation by LIHEAP providers (e.g., microwaves, stoves/ranges) that have not been approved for the LIEE program. (See Workshop Report, Attachment K, p. 7, 8-9.) The equipment or appliances that the utility administrator purchases in bulk, or negotiates with a LIHEAP provider to install with LIEE funds, should only include those measures approved by this Commission for the LIEE program.

high energy rates, without the availability of comparable LIEE services that are offered to homeowners.

We believe that, as an interim policy, rental units should be eligible for all LIEE equipment measures, including evaporative coolers, air conditioners, water heaters, refrigerators and hard-wired fixtures.<sup>26</sup> While the installation of these measures may benefit the landlord, we do not believe that this is an adequate reason to disqualify renters from benefiting from the potential savings from these measures. We note that a number of other measures, such as ceiling insulation and minor home repairs, probably increase property values to the benefit of the landlord as well, but are traditionally offered through the LIEE program for rental units.

In installing equipment measures in rental units, service providers should follow the practices currently in place for the LIEE program (or similar to those in place) with respect to non-customer owned property, e.g., getting authorization from the property owner before installing insulation in a rental unit. In some instances, a signed statement from the customer that they own the refrigerator (for example) may be all that is required.

With regard to co-payments by the renter or landlord, we believe that LIEE equipment measures should be provided to eligible, low-income rental units without any co-payments at this time, except in the instance

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<sup>26</sup> Because landlords have a legal responsibility to maintain heating systems in rental properties, we do not believe that rental units should be eligible for furnace replacements or major furnace repairs at this time. We may revisit this policy as we consider the standardization team's final recommendations and parties' comments on those recommendations in R.98-07-037.

where the landlord owns the refrigerator or air-conditioning unit that is replaced with a high efficiency model and also pays the utility bill.<sup>27</sup> In these instances, the service provider installing the equipment (which may also be a LIHEAP provider) should offer rebates to landlords consistent with the requirements already in place under the utilities' "Hard To Reach" energy efficiency programs.<sup>28</sup>

This approach permits low-income tenants who pay their own electric bills, but may not own their air-conditioning or refrigerator equipment, the ability to benefit from the energy efficiency improvement that will help reduce their usage. At the same time, it provides for the rapid deployment of these peak load reducing appliances in low-income rental housing, while mitigating concerns over subsidizing landlords with low-income program funds. We may revisit this policy for the post-2001 LIEE program as we consider the Phase 3 standardization recommendations in R.98-07-037.

As discussed above, the new measures we authorize today will be deployed as pilots. After the pilots are evaluated, they can be considered

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<sup>27</sup> Evaporative coolers and hard-wired fixtures should be provided without charge to either the tenant or the landlord. Consistent with this interim policy, SCE should suspend its current practice of requiring tenants to make copayments on evaporative cooler units.

<sup>28</sup> The Hard-To-Reach program, initiated as part of the Summer 2000 energy efficiency programs (A.99-09-049 et al.) targets the residential market that is hard to reach, based on the following: (1) language—primary language spoken is other than English, (2) income—those customers who fall in the moderate (rather than high or low) income group, 3) housing type—multi-family and mobile home tenants, and 4) homeownership status—renters. See SCE's Reply Comments, p. 2.

for permanent addition to the LIEE program using statewide measure selection criteria. We direct the Standardization Project Team to develop recommendations for evaluating the new measures authorized today, including reporting requirements, evaluation methodology, budget and schedule.<sup>29</sup> After obtaining public input, the Standardization Project Team should file and serve its recommendations within 60 days from the effective date of this decision. Comments are due 15 days thereafter. The Assigned Commissioner will establish the final parameters of this evaluation process, in consultation with the Energy Division.

### **6.3 LIEE Program Comprehensiveness**

Although new measures are authorized for PY2001, we agree with Winegard Energy and others that the “whole home” focus of LIEE should continue. We are not advocating the rapid deployment of a few new measures without expanding the comprehensive weatherization work that is being done well now. By using LIEE and appliance replacement funds to fully leverage other state resources, we believe that we can retain this focus. At the same time, we acknowledge that installing the Big Six weatherization measures takes longer to accomplish in each household than the replacement of a refrigerator, for example. Therefore, it makes sense to allow for a “two track” approach within our rapid deployment strategy: The first to replace inefficient appliances and lighting and schedule the weatherization work, and the second to complete the more

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<sup>29</sup> For background on the LIEE Standardization Project and Standardization Project Team, see D.01-03-028, mimeo., pp. 3-5.

labor-intensive caulking, weatherstripping, attic insulation, minor repairs, etc.

For example, SCE provides relamping and energy education to a broader number of households throughout its service territory than those it can reach in a program year with weatherization services. In SCE's case, this is primarily due to the fact that there are only a small number of low-income customers residing in electric-heated dwellings.<sup>30</sup> However, nothing in today's decision precludes utility administrators from similarly implementing a two-track rapid deployment strategy in their service territories, if that approach will provide meaningful bill savings to the most households.

Under our current standardization rules, homes that have been treated under the LIEE program within the past 10 years are generally not eligible for participation in the current program, although exceptions may be granted with the written approval of the utility administrator's program manager.<sup>31</sup> We believe that utility administrators should have the flexibility to send service providers back to treated homes to install the new measures adopted today, along with other load reduction measures that were not offered at the time the home was treated and would contribute significantly to bill savings (e.g., refrigerator replacements). Therefore, we grant an "automatic exception" to revisiting previously treated homes for these measures during the rapid deployment period.

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<sup>30</sup> SCE Comments, p. 4.

<sup>31</sup> See D.01-03-028, mimeo., p. 16 and Attachment 3.

Accordingly, the utilities will need to relax the current requirement that a home must need a minimum amount of weatherization (e.g., ceiling insulation and a certain number of additional measures) in order to participate in the LIEE program. We note that similar restrictions apply to LIHEAP-treated homes, that is, the utilities do not offer any LIEE measures to homes that have been insulated under LIHEAP, even those that are not offered by LIHEAP (e.g., refrigerator replacement) and can provide significant bill savings and peak load reductions. Continuation of such practices would be incompatible with the leveraging approach we adopt today, including the two-track approach described above. Therefore, utilities should no longer impose such restrictions on program eligibility.

As discussed throughout this decision, utility administrators should proceed with these deployment approaches utilizing the leveraging scenarios discussed above, and in close coordination with DCSD, LIHEAP providers and (in the case of efficient lighting) with the California Conservation Corps. We expect utility administrators to work closely with these agencies so that weatherization teams are deployed in a manner that protects the low-income customer from being approached by multiple service providers with uncoordinated programs. For example, they can agree to serve non-overlapping territories with weatherization services or agree to provide different, specific measures to the same neighborhoods.

In any event, we expect this coordinated effort to also result in a substantial expansion of *new* homes, including rental units, treated with comprehensive weatherization measures in the coming months.



#### **6.4 Other Methods To Expand LIEE Deployment**

Weingard, SESCO and others recommend that the utilities add new contractors to their programs, especially where a utility has only one active contractor per county. We agree that this is one obvious way that a utility can ramp up for the rapid deployment of LIEE services. Utilities should take this and other steps, as appropriate, to rapidly increase service delivery capability under the leveraging scenarios discussed above.

Both PG&E and SoCal sign contracts with their LIEE providers that limit the total number of homes that can be treated in a given year, by geographic area. Weingard proposes that that these area unit allotments be treated as minimums, instead of maximums.<sup>32</sup> We find merit to Weingard's proposal in the context of an expanded LIEE deployment effort. PG&E and SoCal should consider relaxing these maximums, on a case by case basis, as long as LIEE services are expanded rapidly in *all* geographic regions within the service territory, rural and urban alike.

Finally, PG&E suggests that another way to rapidly deploy LIEE services is to get referrals from the LIHEAP program, who could then be served under LIEE without further certification of eligibility.<sup>33</sup> SCE supports this proposal.<sup>34</sup> However, LIHEAP eligibility and income documentation requirements are different from those that the Commission has established for the LIEE program. As discussed below,

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<sup>32</sup> See Workshop Report, Attachment J.

<sup>33</sup> Workshop Report, pp 16-17.

<sup>34</sup> SCE Comments, p. 4.

automatic certification should not occur until we can consider the reasons for these differences and can evaluate the cost implications of such an automatic enrollment process.

## **6.5 CARE Program Outreach**

The workshop report provides a very useful update on utility CARE outreach activities, including the CARE Outreach Pilots initiated in June, 2000 and outreach plans for the near future. This information is presented in Attachment 3. Workshop participants present several recommendations for improving these efforts, including: automatic CARE enrollment of customers participating in other low-income assistance programs, the introduction of CARE capitation fees, revisions to CARE re-certification procedures, new media campaigns to increase enrollment, among others.

In addition, in their comments, several parties recommend that the Commission allocate a portion of the CARE program funding authorized under SBX1 5 to new CARE outreach activities.

We discuss these issues in the following sections.

### **6.5.1 Automatic Enrollment in CARE and ULTS Leveraging**

Several parties propose that customers receiving assistance from LIHEAP, Universal Lifeline Telephone Service (ULTS) and LIEE programs should automatically be enrolled in the CARE program. However, these proposals do not account for the differences in eligibility criteria among these programs. For example, under the LIEE program, eligibility for senior customers or for households with a permanently disabled resident is different than the CARE eligibility criteria. For ULTS, household income eligibility is based on “financial independence”, i.e., multiple persons

within a household may qualify individually for ULTS. In contrast, under the CARE program, income from all members of the home is considered to determine eligibility.<sup>35</sup>

In D.99-07-016 in R. 94-12-001, we addressed this issue of “categorical eligibility” into the CARE and ULTS programs, that is, automatic eligibility in these programs when a customer participates in another public assistance program, such as LIHEAP. We declined to adopt this procedure due to the problems and associated costs of such an automatic enrollment process. In particular, we noted that many customers would participate in the CARE or ULTS program who did not meet the income eligibility requirements of the program, since, as noted above, those requirements differ significantly across programs.

In effect, automatic enrollment into CARE, or “categorical eligibility” requires that we are willing to waive the eligibility requirements we have established for the program. We are unwilling to do so without further consideration of the reasons for the differences in eligibility criteria and income documentation requirements among low-income assistance programs, as well as the cost implications of making such a policy change. Moreover, as discussed in Section 4.0, we are considering the standardization of eligibility guidelines for CARE and LIEE programs in a separate phase of this proceeding, which we believe is an appropriate first step towards addressing parties’ concerns. To the extent that CARE and LIEE eligibility requirements become identical, we

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<sup>35</sup> See Workshop Report, Attachment O.

believe that automatic enrollment of LIEE customers in the CARE program has merit since, as SESCO points out, there already exists a higher order of verification for such customers than in the case of self-certification by CARE applicants.<sup>36</sup>

We note that LIEE program providers already provide CARE information and enroll eligible, but non-participating customers in CARE. SESCO recommends that utilities work with DCSD to make CARE applications an integral part of the LIHEAP sign-up procedures, as they are under the LIEE program.<sup>37</sup> SDG&E/SoCal state that they are willing to work with their respective DCSD network agencies to implement this recommendation, and we direct PG&E and SCE to do the same.<sup>38</sup>

All parties to this proceeding agree that further coordination and leveraging of ULTS and CARE program outreach should be explored. We adopt G/LIF's suggestion that Energy Division initiate meetings with the telephone and energy utilities to determine feasible methods of improved coordination. Energy Division should schedule such meetings, as soon as practicable. We note, however, that there appears to be much confusion on various issues comparing the two rate assistance programs. Issues

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<sup>36</sup> Workshop Report, Attachment N. p. 1. See also D.01-03-028 (Mimeo. pp. 12-15) for a discussion of the differences in income documentation requirements for these two programs. Because of these differences, and the reasons for them, we are not amenable to adopting automatic enrollment of CARE eligible customers into LIEE without more stringent CARE income verification procedures, even if the eligibility requirements became identical.

<sup>37</sup> Workshop Report, Attachment N, p.1.

<sup>38</sup> SDG&E/SoCal Comments, p.9.

range from differing income guidelines and program design, differing definitions of household size, and differences in what “penetration rates” represent. (See Workshop Report, Attachment O.) Energy Division should look into these issues in the joint-utility meeting among electric, gas and telephone corporations.

### **6.5.2 Capitation Fees For CARE Enrollment**

Organizations that provide low-income clients with non-CARE services (e.g., meal services, weatherization services, income tax assistance, housing counseling) can also provide valuable outreach services for the CARE program by assisting clients in filling out CARE applications as an adjunct to the organization’s other daily activities. However, workshop participants point out that adding this task is not as simple as it may sound from an accounting and reimbursement standpoint. Unless specific funds are targeted for this purpose, many agencies do not get reimbursed for this activity. This is because the bulk of the funding that nonprofit agencies receive must be used to support the specific program (e.g., food stamps) that the funds were authorized for, and cannot be used to subsidize other programs. Many of these agencies are strictly audited on an annual basis to ensure that each activity has a funding source. Because of these restrictions, Community Resources Project and other workshop participants argue that it is important that they be adequately compensated for the time they spend helping low-income clients fill out CARE applications in conjunction with their other daily activities.

For this reason, there was considerable discussion during the workshop process about paying agencies a fee to reimburse organizations for enrolling eligible CARE participants. This administrative fee (referred

to during the workshop as a “capitation fee”) would be paid on a fixed basis for each successful CARE enrollment. As SESCO and others point out, this fee would go only to those organizations which are not otherwise required or reimbursed for such services (e.g., not to LIEE contractors).<sup>39</sup> The utilities would add a resource code field to the applications that the agencies fill out to track the source of the applications, and reimburse the agency accordingly.

Workshop participants could not agree on a specific level of capitation fee. Most of the workshop participants agreed that the fee might have to vary depending upon the services performed in securing the sign-ups, or on the area where the service is performed. Specific fee proposals ranged from \$5 to \$12 per enrolled, eligible CARE participant. Several parties argue that the rate should not be standardized at all, but be negotiated between the utility and participating agency, depending on the specific circumstances.

After carefully considering the proposals and arguments of the parties, we conclude that the utilities should be given latitude to contract with different entities at varying levels of capitation fees, up to a maximum of \$12 per eligible CARE enrollment.<sup>40</sup> This latitude permits the utility to assess the costs of adding the CARE enrollment activity to an

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<sup>39</sup> Workshop Report, Attachment N, p.2.

<sup>40</sup> A completed CARE application does not always correlate to an eligible, enrolled customer, as explained in the Workshop Report (page 21). Some applications may be filled out by households already receiving the CARE discount or by individuals who are not customers of the investor-owned utility.

agency's ongoing delivery of services to low-income customers, which may vary depending on specific circumstances. It also permits the utility the discretion to not offer capitation costs when, for example, new enrollment results from separately-funded CARE outreach activities. SDG&E stated during the workshops that it does not have authority to negotiate capitation fees with service providers.<sup>41</sup> By today's decision, we provide that authority, up to a maximum payment of \$12 per enrollment. We believe that an upper limit to the fee is prudent from a cost management perspective, especially until we obtain more experience with this enrollment reimbursement approach. Based on the information presented during workshops and in comments, we conclude that an upper limit of \$12 provides the utility with a meaningful range to address the specific circumstances of the provider.

As described further below, these new programs costs should be tracked separately and included in the status reports required by today's decision.

### **6.5.3. CARE Recertification Procedures**

By D.94-12-049 in Investigation 88-07-009, the Commission established the current recertification procedures for CARE. Program participants, other than submetered tenants, are required to recertify their eligibility every two years. For submetered tenants, the requirement is every year. These procedures are designed to ensure that the utilities can expeditiously eliminate participants who are no longer eligible due to

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<sup>41</sup> Workshop Report, p.18.

changed economic conditions. For this purpose, the utilities are afforded flexibility to verify customer eligibility either randomly or where there is a reason to believe that a false declaration has been made. This verification may occur more often than every two years for program participants, other than submetered tenants.<sup>42</sup> Currently, the utilities provide several written notifications to CARE participants when recertification is required before they are removed from CARE for non-response.

SESCO contends that one of the major problems in ensuring that low-income customers receive CARE discounts is that they fail to re-enroll once the normal 2-year term expires, despite efforts by the utility to re-certify them. To address this problem, SESCO recommends that program participants be allowed to renew their term for a new 2 years any time during the 2-year term (or 1 year for submetered tenants). In addition, SESCO recommends that the utility provide for a third-party notification process similar to the one in place for shut-offs. Notification can be made to a family member, to the local church group, or to a local community organization so that the third party can follow-up directly with the household to assure the family signs up or that they are no longer eligible.<sup>43</sup>

We do not adopt SESCO's recommendations at this time for two reasons. First, we are not persuaded that the problem is large enough to warrant the additional administrative process involved in implementing

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<sup>42</sup> D.94-12-049, 58 CPUC 2d, p.279, 283; Ordering Paragraph 6.

<sup>43</sup> Workshop Report, Attachment N, p. 1.



either recommendation. For example, SDG&E reports that 90% of CARE participants asked to recertify during PY2000, did so.<sup>44</sup> Among the remaining 10%, we would expect that some portion did not recertify because they were no longer eligible. Second, we share SDG&E/SoCal's concern that SESCO's first recommendation could result in service providers receiving the same capitation fee for applications submitted on behalf of customers already participating in the CARE program, as they would for those new to the program.

Nonetheless, we do not discourage the utilities from exploring either of these recommendations further as feasible improvements to their programs. If they do not already do so, all utility program administrators should collect data on the percentage of CARE participants who do not respond to their recertification notices, on an annual basis.

#### **6.5.4 Media Campaigns and Town Hall Meetings**

G/LIF recommends that the Commission use new funds to expand outreach through media campaigns, including prime time public service announcements on radio and television, targeted to language-minority media outlets and print, as well as broad media coverage through public service announcements. ORA, SoCal and Southwest Gas argue that this new type of media campaign would not be the most cost-effective use of new CARE funding for the purpose of reaching additional CARE-eligible households.

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<sup>44</sup> SDG&E/SoCal Comments, p.9.

As discussed in Section 6.6.3 below, the Legislature has recently authorized a one-time amount of \$100 million in supplemental funding for CARE rate discounts and outreach efforts to increase enrollment in the program. In making this funding available, the Legislature directed that “not more than 10 percent of the funds...shall be allocated for mass marketing to increase enrollment.”<sup>45</sup> Clearly, the Legislature anticipated that a mass media campaign of some magnitude would be one of the outreach efforts considered by the Commission, and that a portion of the \$100 million could be used for that purpose. The issue we address today is whether such a mass media campaign should be undertaken with this new funding and, if so, at what budget amount.

In considering this issue, we note that CARE rate discounts cost approximately \$134 million for SDG&E, SoCal, SCE and PG&E combined during 2000, and will increase as we increase enrollment with the ongoing outreach efforts described above and in the Workshop Report. (See Attachment 3.) Moreover, the Commission recently raised the CARE eligibility levels from 150% of federal poverty guidelines to 175% for SCE and electric customers of PG&E, and is considering extending that increase to PG&E’s gas customers as well as the customers of SoCal, SDG&E and the other jurisdictional utilities.<sup>46</sup> These changes will put more funding demands on the program in the future, and at this time the impact of those demands is unknown.

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<sup>45</sup> SBX1 5, Section 5(a)(C).

<sup>46</sup> See D.01-03-082 and Administrative Law Judge’s April 3, 2001 ruling issued in this proceeding and R.98-07-037.

In addition to our reservations about diverting available funding away from rate discounts to a new media campaign, we are also concerned that the approach proposed by G/LIF will serve at cross purposes with the public awareness program the Legislature has authorized under SBX1 5. Under Section 5(e), the Legislature has appropriated \$10 million to the Department of Consumer Affairs to implement a public awareness program that uses “nontraditional mass media” on energy efficiency issues, which includes, but is not limited to, “the use of community based organizations, mass media in different languages, and media targeted to low-income and ethnically diverse communities.”<sup>47</sup>

Rather than introduce an additional media campaign of a similar nature into the mix, we think that a more effective strategy would be to focus limited program resources on expanding the successful outreach efforts of community-based organizations and other service providers in the field and on very targeted media outreach in close coordination with DCSD. To this end we allocate 15% of the funds (\$15 million) to the utilities to fund the new capitation fees discussed above and to expand targeted outreach efforts, such as those described in Attachment 3.

A portion of this new funding should also be used to leverage and coordinate with the outreach efforts funded under DCSD’s LIHEAP program. By SBX1 5, the Legislature authorized DCSD to spend up to 15% of the new monies appropriated to LIHEAP for outreach and training for consumers. The bill further directs that these outreach efforts include

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<sup>47</sup> SBX1 5, Section 5(e).

“special outreach to vulnerable households, including outreach to senior centers, independent living centers, welfare departments, regional centers and migrant and seasonal farmworkers.”<sup>48</sup> This presents an excellent opportunity for the utilities to “piggyback” on the LIHEAP outreach efforts to get the word about CARE. Each of the program administrators should set aside a portion of the new CARE outreach funding we allocate today, for this purpose. In particular, in coordination with DCSD, utilities may use up to \$2 million of the \$15 million allocation to fund non-English radio and print advertising for CARE outreach. Other collaborative outreach efforts with DCSD may also be funded out of the \$10 million we authorize today.

G/LIF also suggest that the Commission hold town hall meetings around the state so that “the Commissioners can hear what real people have to say about utility services.”<sup>49</sup> In addition, G/LIF believes that these meetings would further assist the Commission in disseminating information about CARE and other low-income programs.

We certainly encourage the utilities to initiate town hall meetings, as time and resources permit. However, we will not specifically fund this type of general information/feedback effort as a component of the LIEE or CARE programs. In a separate proceeding,<sup>50</sup> we are addressing the focus of uncompleted customer education efforts under the Energy Education

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<sup>48</sup> SBX1 5, Section 5(g)(A) and (B).

<sup>49</sup> Workshop Report, p. 42.

<sup>50</sup> Rulemaking 94-04-031 and companion Investigation 94-04-032.

Trust. We intend to coordinate these efforts, which are funded through the Energy Education Trust, with today's outreach initiatives.

## **6.6 Allocation of Carryover and New Funds**

All parties agree that carryover funding should be utilized for programs administered in the service territory where the over-collection occurred. However, parties disagree on how new funding should be allocated among utilities. Many of the workshop participants recommend that any new funds be allocated using the standard formula adopted by the Commission in Res. E-3585, i.e., 30% to PG&E, 30% to SCE, 25% to SoCal and 15% to SDG&E. Some participants recommend that new funds be split proportionately according to the electric (not gas) LIEE budgets of the utilities. Others suggest only spending new funds on electric measures, no matter how they are allocated. Some recommend that the utilities that do not have any carryover funding should receive proportionately more of the new funds.

In addition, Southwest Gas Company raises the issue of whether and how to allocate new funding to low-income customers served by the smaller jurisdictional utilities.

### **6.6.1 LIEE Carryover Funding**

Unspent funds from prior year LIEE authorizations are presented in Attachment 4, by utility. As indicated in those tables, PG&E has approximately \$28 million and SoCal has approximately \$13 million in carryover funding to augment PY2001 program funding, not including accrued interest. SDG&E used pre-2000 unspent funds in the amount of

approximately \$4 million to augment its LIEE program in PY2000 and PY2001 as part of its Summer Initiative program.<sup>51</sup> SCE spent all of its authorized funding in prior years and has even slightly overspent its PY2001 authorizations. Therefore, only PG&E and SoCal have carryover funding to further augment their PY2001 LIEE activities.

The calculation of carryover funds presented in Attachment 4 includes interest on unspent ratepayer funds based on the 3-month commercial paper rate. We are in agreement with ORA, SESCO and others that this interest should be made available for program funding, since it accrued on balances collected from ratepayers for this purpose. Using the 3-month commercial paper rate is consistent with the Commission's general practice with respect to balancing accounts, in either an over- or under-collection situation.

In addition, the calculation of carryover funds for SoCal reflects \$18 million in authorized funding for 1998. By D.98-07-060, the Commission established this level of funding for SoCal's LIEE program, in response to ORA's petition for modification of D.97-07-054. We agree with workshop participants that it is reasonable to allocate carryover funding to programs that serve the customers from which the funds were collected. Therefore, the carryover funds that PG&E and SoCal have accrued are allocated to the LIEE programs that these utilities administer, including accrued interest. PG&E should allocate the carryover funding between its gas and electric departments according to the unspent amounts carried forward within

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<sup>51</sup> Res. E-3703, September 7, 2000.

those departments. As discussed in Section 6.7 below, we require that dual fuel utilities obtain Commission approval before shifting LIEE funds collected in rates between gas and electric departments.

### **6.6.2 New LIEE Funding**

Section 5(a)(3) of SBX1 5 augments LIEE program funding under Pub. Util. Code § 2790 by a one-time amount of \$20 million. Section 5(a)(1) authorizes another \$50 million for the replacement of inefficient appliances with energy efficient equipment “or other efficiency measures” to be targeted to low- and moderate income households. Both Section 5(a)(1) and Section 5(a)(3) funds revert to the general fund by March 31, 2002 if they are unencumbered by that date.<sup>52</sup>

We believe that half of the new funds authorized under Section 5(a)(1), or \$25 million, should be used to further augment the LIEE program. This amount is reasonable, given the circumstances currently facing low income customers of the four major investor-owned utilities. These are: (1) approximately 1 household in every 5 is eligible for the programs, (2) only a small subset of these households have received the full range of weatherization measures that will help them manage their bills during the energy crisis, and (3) a substantial effort in terms of resources and funding will be needed to deliver services to these hard-to-reach customers under a rapid deployment strategy.<sup>53</sup>

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<sup>52</sup> SBX1 5, Section 11.

<sup>53</sup> SDG&E contends that the allocation of any portion of Section 5(a)(1) funds to the LIEE program would be inconsistent with SBX1 5 because the statute, according to SDG&E, also includes a provision that “requires a customer

*Footnote continued on next page*

We believe that the most equitable way to distribute the new funds authorized by the Legislature among the utilities is to apply the allocation factors adopted by the Commission in Res. E-3585, taking into account the disproportionate availability of carryover funding among utilities. This approach puts proportionately more new money in geographic regions where all available funding has been utilized in prior program years, i.e., those served by SCE and SDG&E. To do otherwise would, in our opinion, disadvantage low-income customers residing in the geographic regions served by these utilities.

In addition, we believe it is prudent to set aside a portion of the new funding for a second round allocation to the smaller jurisdictional utilities. As discussed below, we still need to determine how SBX1 5 funding should be allocated to serve the low-income gas and electric

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contribution.” (SDG&E’s Comments on Draft Decision, dated April 30, 2001, p.3.) We disagree. Section 5(c) of the statute requires the Commission to establish guidelines for these funds that ensures the payment of “an appropriate share of the cost” of acquiring or installing measures. Nothing in that language precludes us from determining that, for the portion of funds we choose to target to low-income customers, the “appropriate” share is zero or limited to landlord co-payments in certain instances. It would be absurd to assume, as SDG&E apparently does, that the Legislature intended to *require* a “dual” standard of co-payments for low-income customers in the utilities’ service territories--i.e., one where no co-payments are required for low-income customers receiving weatherization measures (including refrigerator replacements) under Section 5(a)(3) sources of new funding, and a second where co-payments are required for low-income customers receiving weatherization measures funded under Section 5(a)(1).



customers of these utilities. We will set aside \$5 million to consider a second round of LIEE funding to address the needs of their low-income customers. Based on the relative small number of California customers served by these utilities, we believe that this level of set-aside is reasonable.

There was discussion during the workshop process on whether to limit the allocation of new funding to the installation of new electric measures. We do not support this nonconsensus recommendation. As discussed above, the language of SBX1 5 refers explicitly to the allocation of these funds to the customers of both gas and electric customers. Moreover, nothing in the language of Section 5(a)(1) restricts the types of “other efficiency measures” that can be funded to those that only reduce electric loads. Similarly, the statute authorizes increased funding under Section 5(a)(3) without restriction in terms of the heating source of the home, and in fact authorizes the Commission to “fund other energy efficient measures to assist low-income energy users.” This lack of restriction makes sense in light of the stated, dual objective of the funding allocated to the Commission, which the Legislature states is: “to achieve a reduction in peak electricity demand and meet the urgent needs of low-income households.” (Section 5(a), emphasis added.)

Clearly, the urgent needs of low-income households is to reduce their energy bills, both gas and electric, during the energy crisis. Therefore, we do not believe it is consistent with the Legislature’s intent to restrict funding to electric measures. However, we expect the utilities to track and report peak electric savings along with bill savings from the

LIEE program. We are confident that both types of savings will be significant under the rapid deployment strategy we adopt today.

For SDG&E and PG&E, the new LIEE funding authorized today should be allocated between gas and electric measures based on the current allocation of funding between the two departments.

### **6.6.3 Combined Allocation of New and Carryover Funding For LIEE**

Table 2 presents our adopted allocation of carryover and new funding for LIEE, based on the principles discussed above. The calculations for the allocations are presented in Attachment 5. We also present the current annual authorization for LIEE funding that is recovered in rates, in order to present the full amount of funding available for rapid deployment of LIEE programs:

**Table 2**

	PY2001 LIEE AUTHORIZED (ANNUAL IN RATES)	CARRYOVER FUNDING WITH INTEREST (ONE TIME)	ALLOCATION OF NEW FUNDING (ONE-TIME)	TOTAL AVAILABLE FOR RAPID DEPLOYMENT
<b>SoCal</b>	\$17,999,796	\$14,786,894	\$4,779,330	\$37,566,020
<b>PG&amp;E</b>	\$29,109,000	\$31,043,794	\$0	\$60,152,794
<b>SDG&amp;E</b>	\$6,423,292	\$232,743	\$11,506,991	\$18,163,026
<b>SCE</b>	<u>\$7,174,000</u>	<u>-\$234,211</u>	<u>\$23,713,679</u>	<u>\$30,653,468</u>
	<b>\$60,706,088</b>	<b>\$45,829,220</b>	<b>\$40,000,000</b>	<b>\$146,535,308</b>

#### 6.6.4 New CARE Funding

SBX1 5 authorizes a one-time augmentation to CARE funding of \$100 million, to be used “to increase and supplement CARE discounts and to increase enrollment in the CARE program.”

As discussed above, we authorize the utilities to use \$15 million of this funding to increase CARE outreach efforts. We will also allocate this funding based on the Res. E-3585 allocation factors, which results in the following allocation:

SoCal:	\$3.75 million
PG&E:	\$4.50 million
SCE:	\$4.50 million
SDG&E:	\$2.25 million

The remaining \$85 million will be allocated to the utilities to cover the increased costs of CARE rate subsidies, on an “as needed” basis. As the Legislature directed, these funds are to be used to “supplement, but not replace, surcharge-generated revenues.”<sup>54</sup> Within 60 days from the

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<sup>54</sup> SBX1 5, Section 5(a)(2).

effective date of this decision, the utilities should file Advice Letters that include following information:

- (1) authorized CARE funding currently in rates.
- (2) actual expenses to date for CARE administrative costs (including outreach), and subsidies/credits.
- (3) projections of CARE rate subsidy costs over the next 12 months, including projections of new enrollments.
- (4) a proposed allocation of Section 5(a)(2) funding to cover those costs, based on need that cannot be covered with surcharge-generated revenues

The Advice Letters should be served on all appearances and the state service list in this proceeding and R.98-07-037.

#### **6.6.5 Second Round Allocation For Small Jurisdictional Utilities**

SBX1 5 specifically states that Section (a)(1), (a)(2) and (a)(3) funding will be allocated by this Commission “for the customers of electric and gas corporations subject to commission jurisdiction.” Therefore, we must also consider the allocation of a portion of these funds to the smaller utilities under our jurisdiction. These are: Alpine Natural Gas Company, Avista Utilities (formerly Washington Water Power Company), Mountain Utilities (formerly Kirkwood Gas and Electric Company), Sierra Pacific Power Company, PacifiCorp (Pacific Power/Utah Power) Southern California Water Company, Southwest Gas Company and West Coast Gas Company.<sup>55</sup>

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<sup>55</sup> For a discussion of public purpose program funding, such as LIEE and CARE, to these smaller utilities, see D.97-12-093 in A.97-05-011 et al. (77 CPUC 2d, p. 669.)

However, because these utilities are not respondents to R.98-07-037 or applicants in this proceeding, and therefore have not participated in the annual LIEE program planning process, we do not have the information we need to address this issue in today's decision. We direct Energy Division to obtain information and develop recommendations for the allocation of some or all of the LIEE set-aside funds to the smaller jurisdictional utilities.<sup>56</sup> In addition, Energy Division should develop recommendations for the allocation of some of the Section (a)(2) supplemental CARE funds to these utilities, as appropriate, and for reporting requirements for these utilities. For this purpose, Energy Division should hold workshops with these utilities and interested parties as soon as possible. Prior to the workshops, Energy Division should send a letter to the utilities listed above requiring the following information, as well as any other information that Energy Division believes will be useful in developing its recommendations:

- (1) the number of estimated eligible low-income households in each service territory (or the portion thereof in California),
- (2) the number currently served under the utilities' existing low-income assistance programs,
- (3) current funding levels for low-income weatherization and energy efficiency programs, and CARE, and

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<sup>56</sup> If, in Energy Division's opinion, the full set-aside amount should not be allocated to customers within these smaller service territories, then Energy Division should also make recommendations on how to reallocate these funds.

- (4) program plans to expand services to low-income customers.<sup>57</sup> Consistent with today's determinations, we expect these plans to utilize the leveraging scenarios described above, as appropriate.

Energy Division shall file and serve the workshop report, including its recommendations, within 45 days from the effective date of this decision. The report should be filed in this proceeding and served on all parties in R.98-07-037 and in this proceeding.

### **6.7 Funding Flexibility**

Under current fund-shifting rules, utilities may not shift funds from the Big Six measures to “nonmandatory” measures, although they are authorized to shift funds in reverse.<sup>58</sup> This restriction was adopted to reflect the language of Pub. Util. Code § 2790 at the time. However, as PG&E points out, AB 1393, which became effective on January 1, 2000, modified Public Utilities Code Section 2790 to insert the word “may” before “include” and the listing of the six mandatory measures. As a result, the six listed “mandatory” measures in Section 2790(b)(1) are now discretionary. In addition, the LIEE shareholder incentive mechanism currently in place does not distinguish between Big Six and other

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<sup>57</sup> We note that some of this information has been provided by Southwest Gas Company, who participated in the workshop. (Workshop Report, Table 1, page 10 and Attachment L.)

<sup>58</sup> See D.94-10-059, 57 CPUC 2d 1, at 70.

measures, but rather differentiates among measures based on estimated energy savings.<sup>59</sup>

Moreover, continuing this restriction could unduly hamper implementation of the rapid deployment strategy we adopt today. Under this strategy, the specific mix of measures purchased and/or installed by the utilities will vary depending on how they elect to leverage resources with the LIHEAP program. As discussed above, utilities should have the flexibility to make this election, taking into account the specific circumstances of their existing delivery system.

For these reasons, we adopt PG&E's recommendation to allow flexibility for fund shifting among Big Six and other LIEE measures. Per the language of SBX1 5, priority for the expenditure of Section 5(a)(1) funds shall be given to the replacement of the oldest and least efficient appliances.<sup>60</sup> We also authorize utility administrators to pool funds for the purpose of bulk purchases of equipment, or other program activities where a collective effort makes the most sense.

However, we do continue to require that dual-fuel utilities obtain prior Commission approval before shifting LIEE funds collected in rates between their gas and electric departments.<sup>61</sup> PG&E and SDG&E may request such approval by Advice Letter filing. The Advice Letter should be served on all parties to this proceeding and R.98-07-037. However, we

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<sup>59</sup> PG&E's Application, p.4.

<sup>60</sup> SBX1 5, Section 5(a)(1)(A).

<sup>61</sup> See Res. E-3586, Ordering Paragraph 1(m) and 1(n).

do adopt SDG&E's proposal to change cost allocation ratios between its gas and electric departments for the new LIEE funding authorized under SBX1, as soon as it is able to identify the costs of the new measures authorized today (and their applicability to homes in SDG&E's service territories). SDG&E should report these new measure allocation ratios in its initial status reports on rapid deployment, described in Section 6.8 below.<sup>62</sup> Consistent with current practices, the utilities may not shift the new funding we authorize for CARE outreach to LIEE program activities. We also agree with workshop participants that, in reverse, LIEE funds should not be used for CARE program outreach, except in circumstances where this already occurs.<sup>63</sup>

The utilities' expenditure of SBX1 5 funds must also comply with the requirements set forth in Section 5(c)(2) and 5(h). In particular, administrative costs should be limited to not more than 2.5% of the amount of LIEE funds expended under Section 5(a)(1) and 5(a)(3), per the requirements of Section 5(c)(2). As defined in that section, administrative costs include overhead costs associated with the implementation of each measure or program, but does not include costs associated with marketing

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<sup>62</sup> See SDG&E's Comments on Draft Decision, dated April 30, 2001, pp. 4-5. We note that the approach recommended by SDG&E would not apply to PG&E, because the funding authorized for PG&E's rapid deployment efforts comes exclusively from funds previously authorized and collected in rates. PG&E would therefore need to file an Advice Letter to change the allocation between its gas and electric departments, consistent with current practices for ratepayer-funded LIEE activities.

<sup>63</sup> For example, when a LIEE contractor visits a customer to perform weatherization services and signs the customer up for CARE in the process.



or evaluation of a measure or a program. Pursuant to Section 5(h), not less than 85% of the new LIEE funding authorized today under Section 5(a)(1) and 5(a)(3) should be expended for direct purchases and installations of LIEE measures, as opposed to administrative costs (including marketing, outreach and program evaluation).

Finally, all CARE and LIEE funding authorized today, including those funds collected through the public purpose surcharge, is the property of the Commission and not of the utilities. With respect to such funds, utilities serve as collection and remittance agents only and have no beneficial interest whatsoever in the monies. We direct the utilities to segregate all CARE and LIEE funding authorized today from all other utility funds and to not use that funding for any purposes other than as provided for in this decision. While the funds authorized in this decision are in the utilities' possession, the utilities shall hold those funds in trust solely for the benefit of the Commission. We direct the utilities to remit funds to the persons or entities with whom they enter into contracts or MOUs, for the performance of the activities authorized by the Commission for the CARE and LIEE programs, within 30 days of the satisfactory completion of those activities.

In addition to the reporting requirements discussed below, we direct the utilities to provide the Energy Division with a monthly accounting of their expenditure of the CARE and LIEE funds, including amounts provided to specific contractors, and whatever other information the Energy Division may need in monitoring the utilities' compliance with the directives of this decision.

Except as directed otherwise in today's decision, the existing fund-shifting rules for LIEE and CARE continue to apply.

### **6.8 Reporting and Program Evaluation**

The utilities should continue to comply with all of the reporting and program evaluation requirements we have established for the CARE and LIEE program, including the reporting of costs and effects from these programs on an annual basis, using the Reporting Requirements Manual. Nothing in today's decision relaxes those requirements.

In addition, we will require utility administrators to file regular status reports on the results of their rapid deployment efforts. The initial status report will be due 60 days from the effective date of this decision. Status updates will be due every 30 days thereafter, until further order by the Commission or Assigned Commissioner. These reports should include:

- (1) a description of the leveraging and outreach activities for both LIEE and CARE programs, including bulk purchases.
- (2) the number of CARE enrollments and LIEE measure installations accomplished to date (by type of measure), as well as the number initiated but not yet completed (by measure type).
- (3) estimated energy savings, including peak electric load reductions for the LIEE program.
- (4) estimated customer bill savings and
- (5) authorized funding versus actual expenditures by budget category. Expenditures on capitation fees should be tracked as a separate line item.

- (6) a worksheet showing the percentage of new LIEE funding that is spent on direct purchases and installations of LIEE measures so that compliance with SBX1 5 Section 5(h) can be monitored, and
- (7) a worksheet showing the percentage of new LIEE funding that is spent on administrative costs, so that compliance with SBX1 5 Section 5(c)(2) can be monitored.
- (8) description of the outreach provided to California Indian tribes so that compliance with SBX1 5 Section 5(j) can be monitored.

In developing the savings estimates under (3) and (4), the utilities should utilize the standard practices incorporated into the Reporting Requirements Manual or adopted by Commission order. As discussed in Section 6.7 above, SDG&E should include in its initial reports an allocation of new LIEE funding between its gas and electric departments based on an analysis of the costs of the new gas and electric measures added to the program by this decision.

The utilities should work with Energy Division to ensure that these reports provide the information necessary to effectively monitor program results on a regular basis. Energy Division, with input from the utilities and ORA, should develop the reporting format for these new reporting requirements.

As discussed in Section 6.2, the Assigned Commissioner will establish an evaluation process for the new LIEE measures authorized today, including reporting requirements.

## **6.9 Post-2001 Program Planning**

Under “business as usual” circumstances, we would be conducting our annual program planning process for PY2002 low-income assistance programs during 2001. However, the energy crisis has overshadowed this process. Until further order by the Commission, we suspend the PY2002 planning cycle as contemplated in D.00-07-020, including further consideration of pay-for-measured savings pilots and competitive bid outsourcing. Accordingly, the comment period set forth by Administrative Law Judge ruling in A.01-02-013, dated March 20, 2000, is also suspended. The utilities should formally withdraw these applications until directed to resubmit proposals for a pay-for-measured savings pilot by the Commission or Assigned Commissioner. In addition, the Phase B issues in R.98-07-037, and associated filings, are suspended until further notice. (See Assigned Commissioner’s Ruling dated March 2, 2001 in R.98-07-037.)

However, we do not suspend the ongoing work to standardize program procedures and policies and to improve reporting requirements. These efforts continue to improve the consistency of services provided to low-income customers and our ability to effectively evaluate the programs. Given the energy crisis facing utility customers, and the Legislative direction we have been given, we believe that the public interest is better served by focusing resources and attention on implementing the rapid deployment strategy adopted today. This strategy should continue until further Commission order. We anticipate the need to continue these efforts through the end of 2001, and perhaps well into 2002. The Assigned Commissioner, Administrative Law Judge or Energy Division may initiate

checkpoint meetings, workshops or other forums, as appropriate, to monitor utility activities during this period.

Today's decision represents a major "call to arms" to protect the interests of low-income customers during this energy crisis. The utilities should implement the rapid deployment strategy described herein, without further delay.

### **Comments on Draft Decision**

The draft decision of Administrative Law Judge Meg Gottstein in this matter was mailed to the parties in accordance with Pub. Util. Code § 311(g) and Rule 77.1 of the Rules of Practice and Procedure. Comments were filed by AARP, Bo Enterprises, East Los Angeles Community Union, et al., G/LIF, Natural Resources Defense Council, ORA, PG&E, Residential Service Companies' United Effort, SDG&E/SoCal and SCE.

We have carefully considered the comments on the issues addressed in today's decision. In response to comments, we have clarified the role of non-LIHEAP service providers (both community-based organizations and private entities) under the leveraging strategy adopted in this decision. We have expanded or clarified various issues addressed in the decision, including reporting requirements, authorized new measures, and fund-shifting flexibility. Based on parties' comments, we have also increased the authorization of SBX1 5 funds for CARE outreach activities (including the payment of capitation fees) from \$10 million to \$15 million.

### **Findings of Fact**

1. Households that are eligible for low-income assistance programs comprise approximately 20%, or 1 in 5, of all households served by PG&E, SDG&E, SCE and SoCal. Utility low-income assistance programs are

currently reaching only about 60% of eligible households with CARE, and a small fraction of that amount with comprehensive LIEE weatherization services.

2. Although there are LIHEAP referral systems in place, the utilities do not currently take other steps to optimize the delivery of weatherization services to low-income customers through leveraging LIHEAP programs. Inadequate coordination between LIEE and LIHEAP also makes it difficult and confusing for the low-income customer to obtain the full range of weatherization services that are collectively offered under these programs.

3. Using LIEE funds to leverage the weatherization programs provided through DCSD's network of community-based organizations under LIHEAP will substantially improve the effectiveness and efficiency of program deployment.

4. LIEE service providers currently remove all replaced equipment or materials from the premises and, in for refrigerator replacements, arrange for the removal and recycling of the replaced unit .

5. Some LIHEAP providers may not have the capacity to deploy the rapid deployment strategy adopted today without working in close partnership with other community service providers in the area.

6. Requiring the utilities to leverage exclusively through LIHEAP providers may cause bottlenecks in service delivery for the LIEE weatherization program. Affording the utilities the flexibility to use LIEE funds to leverage non-LIHEAP community service providers in the area can relieve those bottlenecks. Full geographic coverage of weatherization services can be further ensured by allowing utilities to implement rapid deployment using other entities (e.g., private contractors) if there are no

LIHEAP providers or non-LIHEAP community-based organizations that can (or are willing to) provide weatherization services in a particular geographic area.

7. Requiring that every low-income customer be served through a single input-process (“one stop shopping”) at this time could limit the number of customers that can be identified and qualified for LIEE and CARE, especially during the coming months. There are other implementation obstacles to this approach, including, licensing requirements that may not be met by a single organization serving low-income customers.

8. Peak load savings and bill savings can be accelerated and enhanced by authorizing additional measures under the LIEE program, on a pilot basis. To ensure that these savings accrue, there should be installation standards currently in place for new measures, either in the standardized LIEE program weatherization manual or under other utility energy efficiency programs.

9. Proper maintenance significantly improves the performance and life of evaporative coolers, thereby resulting in greater energy savings.

10. PG&E’s proposed torchiere turn-in program may be duplicative of the program authorized under AB 29 for the delivery of high efficient lighting to low-income customers by the California Conservation Corps.

11. The goals of rapid deployment can be served in better ways than authorizing SoCal’s proposed new Energy Education School Pilot, which appears duplicative of the program that the California Energy Commission is directed to implement, pursuant to SBX1 5.

12. Affording utilities the flexibility to selectively introduce new measures during the rapid deployment period would cause confusion on the part of low-income customers and service providers, and unduly limit the data needed for our evaluation of the pilot.

13. Currently, the eligibility of rental units for LIEE equipment measures (e.g., refrigerators, air conditioners) varies across utility service territories and our review of the Standardization Project recommendations and parties' comments on this issue will not be completed until later this year.

14. The status quo with respect to renters will leave many vulnerable low-income tenants exposed to high energy rates, without the availability of comparable LIEE equipment measures that are offered at no cost to homeowners. Providing LIEE equipment measures to these customers at no cost permits them to benefit from the energy efficiency improvement that will help reduce their usage and their bills, and simultaneously contribute to system load reductions during the energy crisis.

15. Requiring co-payments for landlord-owned refrigerators and air-conditioners that are replaced with high efficiency models (where the landlord also pays the utility bill) mitigates concerns over subsidizing landlords with low-income program funds.

16. Installing Big Six weatherization measures takes longer to accomplish in each household than the replacement of other measures, e.g., refrigerators or lighting. To require that all eligible measures be installed at the same time would not be the most efficient use of resources and would unduly delay program deployment.



17. Current requirements that a home must need a minimum amount of weatherization measures in order to be eligible for LIEE services are not compatible with the rapid deployment strategy we adopt today. Nor is the restriction that homes treated under LIHEAP cannot receive LIEE services.

18. Categorical eligibility can result in many customers participating in CARE or LIEE who are not income-eligible, unless the eligibility requirements and income documentation requirements are made identical among programs.

19. Some utilities have only one active contractor per county at this time, and limit the total number of homes that can be treated in a given year, by geographic area.

20. LIEE program providers already provide CARE information and enroll eligible, but non-participating customers in CARE. However, CARE applications are not yet an integral part of the LIHEAP sign-up procedures.

21. Coordination between ULTS and CARE outreach could produce beneficial synergies for both programs.

22. CARE outreach is hampered by the fact that many agencies serving the low-income clients cannot cover the costs of helping those clients fill out CARE applications, unless funds are made specifically available for that purpose. Capitation fees, that is fees offered to these agencies for each eligible CARE enrollment, can address this problem.

23. Establishing an upper limit to capitation fees is prudent from a cost management perspective, especially until we obtain more experience with this form of reimbursement. An upper limit of \$12 per CARE enrollment

provides the utility with a meaningful range to address the specific circumstances of the provider.

24. The evidence in this proceeding suggests that most CARE-eligible customers already respond to utility current notification procedures and re-enroll once the 2-year term expires.

25. Introducing third party notification procedures or allowing participants to renew any time during the 2-year term would add administrative costs and new procedures to the CARE program.

26. Allowing CARE participants to renew any time during the 2-year term could result in service providers receiving the same capitation fee for applications submitted on behalf of customers already participating in CARE, as they would for those new to the program.

27. A new type of media campaign, such as the one proposed by G/LIF, would not be the most cost-effective use of new CARE funding for the purpose of reaching additional CARE-eligible households. Initiating a new media campaign may also work at cross purposes with the public awareness program the Legislature has authorized under SBX1 5 to be administered by the Department of Consumer Affairs.

28. CARE rate discounts cost approximately \$134 million during PY 2000 for SDG&E, SCE, SoCal and PG&E combined, and those costs are expected to increase substantially in the coming months.

29. Focusing efforts on expanding the successful outreach efforts of community-based organizations and other service providers in the field and on non-English print and radio media in close coordinated with DCSD represents an effective use of limited CARE funding. The new funding in SBX1 5 for LIHEAP outreach also presents an excellent opportunity for the

utilities to “piggyback” on those activities to get the word out about CARE.

30. Allocating unspent LIEE carryover funds to the utility that has accrued them recognizes that these funds were collected from the customers of that utility in prior years.

31. Only PG&E and SoCal have carryover funding available for LIEE programs.

32. Calculating SoCal’s carryover funding level based on \$18 million in authorized funding for 1998 is consistent with the Commission’s orders in D.98-07-060. Using a \$13.5 million figure for that year, as SoCal proposes, is not.

33. Interest has accrued on funds that were collected from ratepayers, but not spent, for the purpose of providing LIEE services in prior years. Using the 3-month commercial paper rate to calculate this interest is consistent with the Commission’s general treatment of balancing account balances, in either an over- or under-collection situation.

34. A substantial increased effort in terms of resources in funding will be needed to reach eligible low-income customers with needed energy assistance in the coming months.

35. SBX1 5 augments the LIEE program by \$20 million and appropriates another \$50 million in funding for efficient appliances and other energy efficiency measures, targeted to low- and moderate-income households.

36. Although consensus was not reached on this issue, many workshop participants recommend that new funding for CARE or LIEE be allocated using the standard formula adopted by the Commission in Res. E-3585.

37. Allocating new LIEE funds without taking into account the disproportionate availability of carryover funds would disadvantage low-income customers residing in service territories where all available funding has been utilized in prior program years.

38. Limiting the allocation of new LIEE funding to electric measures would not meet the urgent needs of low-income households during the energy crisis or the objectives articulated by the Legislature.

39. The new funding for LIEE and CARE authorized under SBX1 5 is to serve the gas and electric customers of all the utilities under our jurisdiction, including the smaller companies.

40. As amended by AB 1393, Pub. Util. Code § 2790 no longer distinguishes between mandatory Big Six measures and other, “nonmandatory” LIEE measures.

41. The current shareholder incentive mechanism for LIEE does not distinguish between Big Six and other measures, but rather differentiates among measures based on estimated energy savings.

42. Continuing to restrict utilities from shifting funds among LIEE measures could unduly hamper implementation of the rapid deployment strategy we adopt today.

43. The energy crisis has overshadowed the program planning process for PY2002 contemplated by the Commission in D.00-07-020. Rather than continuing with that process, the public interest would be better served by focusing resources and attention on the rapid deployment strategy adopted today.

44. Ongoing efforts to standardize program procedures and to improve reporting requirements will improve the consistency of services offered to

customers and our ability to effectively evaluate low-income assistance programs.

### **Conclusions of Law**

1. Evidentiary hearings are not needed in this proceeding.
2. “Business as usual” is not adequate to address the needs of low-income customers during the energy crisis.
3. A “one stop shopping” approach is not reasonable or practicable for rapid deployment of LIEE and CARE services at this time.
4. As discussed in this decision, the LIEE program should be deployed as a leveraging vehicle to rapidly expand and enhance the delivery system in place through DCSD’s network of LIHEAP providers. For this purpose, utilities should utilize one or a combination of the following leveraging scenarios:
  - A utility company purchases, for example, energy efficient refrigerators and air conditioners in bulk through a MOU with DCSD or LIHEAP providers. That equipment is installed by a LIHEAP provider within the utilities’ service territories, using LIHEAP funds. . The LIHEAP agency can now pay for additional weatherization measures for that unit, or weatherize more units.
  - A utility contracts with a LIHEAP agency to deliver its LIEE program. The agency installs measures in a unit using funds from both the LIEE and LIHEAP programs.
  - The utility develops a MOU with LIHEAP provider(s) to complete units in a coordinated manner for each individual client or low-income neighborhood within the service territory. For example, a utility company installs weatherization measures authorized under the LIEE program and

the LIHEAP provider installs additional measures allowable under LIHEAP, or vice versa.

5. As discussed in this decision, utilities should be able to apply any one or all of the three leveraging scenarios described above to non-LIHEAP community service providers in those instances where:

- 1) leveraging exclusively through the LIHEAP provider would cause a bottleneck in service delivery for the LIEE weatherization programs, and
- 2) the non-LIHEAP community service provider has experience in providing weatherization, home repair, job training or other services through other funding mechanisms to the low-income community being served, and
- 3) a MOU or other coordination arrangement exists between the LIHEAP and non-LIHEAP community service provider to ensure that weatherization efforts are coordinated without duplication.

6. If there are no LIHEAP providers or non-LIHEAP community-based organizations that can (or are willing to) provide weatherization services in a particular geographic area, then the utilities should be authorized to implement today's rapid deployment strategy with other entities , e.g., private contractors, to serve those areas.

7. Funds authorized under utility-administered programs should be used exclusively to leverage program services to customers within the utilities' service territories, and not to customers in other geographic regions in the state (e.g., areas served by public utilities.)

8. Under any bulk purchasing scenario, installers of the measures should remove all replaced equipment or materials from the premises, and in the case of refrigerator replacements, arrange for the removal and

recycling of the replaced unit. Utility administrators should also obtain from the installer the following information (at a minimum): when the equipment was installed, proof of delivery, proof of equipment qualification (i.e., age that the primary refrigerator was replaced), and energy savings.

9. The rapid deployment strategy adopted today is reasonable to ensure the efficient and effective deployment of all state resources appropriated for the purpose of addressing the needs of low-income customers during the energy crisis.

10. The rapid deployment strategy adopted today is consistent with the intent of the Legislature, as reflected in ABX1 29 and SBX1 5.

11. The following new LIEE measures should be authorized on a pilot basis: the replacement of inefficient air conditioners with high efficiency models, duct sealing and repair, whole house fans, the replacement of inefficient or inoperable water heaters with high efficiency units, the installation of set-back thermostats and evaporative cooler maintenance.

12. Replacement of existing air conditioners with high efficiency models should be limited to areas where evaporative coolers do not make sense because of humidity or where their effectiveness is limited because of extreme heat during the summer months. In particular, air conditioners should be replaced only in those climate areas that are not covered by the current evaporative cooler program or where temperatures regularly exceed 100 degrees during summer months. Where it is practical to install and effective, a whole house fan should be installed as an alternative to air conditioner replacement. Replacements of operating water heaters with high efficient units should not increase source consumption of BTUs.

13. Except for differences based on climate zones, utility administrators should offer all of the approved new measures to customers through any one of the leveraging scenarios described in this decision.

14. PG&E should not use authorized LIEE program funds to initiate a torchiere turn-in program.

15. SoCal should not use authorized LIEE program funds to initiate a new Energy Education School Pilot.

16. As an interim policy during the energy crisis, rental units should be eligible for all LIEE equipment measures, including evaporative coolers, air conditioners, water heaters, refrigerators and hard-wired fixtures. These measures should be provided to eligible, low-income rental units without any co-payments at this time, except in the instance where the landlord both owns the refrigerator or air-conditioning unit that is replaced with a high efficiency model and pays the electric bill. In these instances, the service provider installing the equipment (which may also be a LIHEAP provider) should offer rebates to landlords consistent with the requirements already in place under the utilities' "Hard To Reach" energy efficiency programs. This policy may be revisited for the post-2001 LIEE program as we consider the Phase 3 standardization recommendations in R.98-07-037.17.

17. In installing equipment measures in rental units, service providers should follow the practices currently in place for LIEE program (or similar to those in place) with respect to no-customer owned property.



18. As discussed in this decision, the new LIEE measures we authorize today should be deployed on a pilot basis, and be evaluated for permanent inclusion into the program based on statewide measure selection criteria.

19. Utilities may use a two-track deployment strategy described in today's decision, if that approach will provide meaningful bill savings to the most households. Utilities may also send service providers back to LIEE or LIHEAP treated homes to install new measures adopted today, along with other load reduction measures that were not offered at the time the home was treated and would contribute significantly to bill savings (e.g., refrigerator replacements). However, they should only proceed utilizing the leveraging scenarios discussed in this decision, and only if the utilities can also treat a substantial number of new homes, including rental units, with comprehensive weatherization measures in the coming months.

20. As discussed in this decision, utility administrators should work closely with DCSD and (in the case of efficient lighting) the California Conservation Corps to ensure that weatherization teams are deployed in a manner that protects the low-income customer from being approached by multiple service providers in an uncoordinated manner.

21. As discussed in this decision, utilities should relax the current requirement that a home must need a minimum amount of weatherization in order to participate in the LIEE program. In addition, they should no longer disqualify LIHEAP-treated homes from LIEE program eligibility.

22. Utilities should take all necessary steps to rapidly increase service delivery capability under the leveraging scenarios described in this decision. These may include adding new contractors to their programs or

relaxing unit maximums, on a case by case basis. As discussed in this decision, the utilities should ensure that LIEE services are expanded rapidly in all geographic regions within their service territory, rural and urban alike.

23. Because the eligibility and income verification requirements vary significantly across public assistance programs, it is not reasonable to allow automatic enrollment in CARE and LIEE when a customer participates in another public assistance program, such as LIHEAP.

24. Utility administrators should work with the DCSD and LIHEAP providers in their service territories to make CARE applications an integral part of the LIHEAP sign-up procedures.

25. As discussed in this decision, Energy Division should initiate meetings with the telephone and energy utilities to determine feasible methods of improved coordination between ULTS and CARE outreach.

26. As described in this decision, utilities should be authorized to contract with different entities at varying levels of capitation fees, up to a maximum of \$12 per eligible CARE enrollment.

27. Utilities may further explore SESCO's suggestions regarding recertification procedures as feasible improvements to their programs. They should collect data on the percentage of CARE participants who do not respond to their recertification notices, on an annual basis.

28. The utilities should be allocated \$15 million out of SBX1 5 Section 5(a)(2) CARE funding to fund the new capitation fees and to expand targeted CARE outreach efforts. A portion of these funds should be used to leverage and coordinate with the outreach efforts funded under DCSD's LIHEAP program. In particular, in coordination with DCSD, utilities may

use up to \$2 million of the \$15 million allocation to fund non-English radio and print advertising for CARE outreach. The utilities may also fund other collaborative CARE outreach efforts with DCSD out of the \$15 million, or expand other targeted outreach efforts, such as those described in Attachment 3.

29. Town hall meetings that provide general energy education and feedback to the Commission should not be funded with LIEE or CARE program funds.

30. Because the Commission authorized \$18 million in funding for LIEE for PY1998, this level of authorization should be used in calculating the level of carryover funds for SoCal.

31. Interest that has accrued on unspent LIEE funds should be made available for program funding, since it accrued on balances collected from ratepayers for this purpose. It is reasonable to use the 3-month commercial paper rate in calculating this interest.

32. Carryover LIEE funding should be allocated to the utilities that accrued these unspent balances. PG&E should allocate the carryover funding between its gas and electric departments according to the unspent amounts carried forward within those departments Prior Commission approval should be required before modifying the allocation of funding collected through rates (including carryovers) between a dual-utilities' gas and electric departments.

33. Because a substantial increased effort in terms of resources and funding will be needed to deliver services to low-income, hard-to-reach customers, it is reasonable to allocate half (or \$25 million) of Section 5(a)(1) to augment LIEE program funding.

34. As described in this decision, new funds authorized by the Legislature should be allocated among the utilities based on the allocation factors adopted by the Commission in Res. E-3585, taking into account the disproportionate availability of carryover funding among utilities.

35. It is not reasonable to restrict LIEE funding to electric measures. However, utilities should track and report the peak electric load savings that result from rapid deployment, as discussed in this decision.

36. New SBX1 5 LIEE funding authorized for SDG&E today should be allocated between gas and electric departments based on an analysis of the costs associated with the new measures for which additional funding authorized, and their applicability within SDG&E's service territory. In the initial status report required by this decision, SDG&E should present an allocation of new LIEE funding between its gas and electric departments based on such an analysis.

37. The \$15 million in new funding that we authorize for CARE outreach activities today should be allocated among utilities using the allocation factors adopted in Res. E-3585. The remaining \$85 million authorized by SBX1 5 should be allocated to the utilities to cover the increased costs of CARE rate subsidies, on an "as needed" basis. These funds should be used to supplement, but not replace, surcharge-generated revenues. Within 60 days from the effective date of this decision, the utilities should file Advice Letters proposing an allocation of these funds, as described in this decision.

38. A portion of new LIEE funding should be set aside for second-round allocation to the smaller utilities under our jurisdiction. Based on

the relatively small number of California customers served by these utilities, a set aside of \$5 million is reasonable.

39. As described in this decision, Energy Division should obtain information and develop recommendations for the allocation of some or all of the LIEE set-aside funds to the smaller jurisdictional utilities. Energy Division should also develop recommendations for the allocation of some of the SBX1 5 Section (a)(2) supplemental CARE funds to these utilities, as appropriate, as well as reporting requirements for these utilities.

40. Current restrictions to shifting funds among Big Six and other measures should be removed, except that dual-fuel utilities should continue to obtain prior Commission approval before shifting LIEE funding collected through rates between their gas and electric departments.

41. LIEE funds should not be used for CARE program outreach, except in circumstances where this already occurs.

42. Consistent with the requirements set forth in SB1X 5, not less than 85% of the new LIEE funding authorized today under Section 5(a)(1) and 5(a)(3) should be expended for direct purchases and installations of LIEE measures. Priority for the expenditure of Section 5(a)(1) funds should be given to the replacement of the oldest and least efficient appliances

43. Per the requirements of SBX1 5, Section 5(c)(2), administrative costs should be limited to not more than 2.5% of the amount of LIEE funds expended under Section 5(a)(1) and 5(a)(3). As defined in that section, administrative costs includes overhead costs associated with the implementation of each measure or program, but does not include costs associated with marketing or evaluation of a measure or a program.

44. As described in this decision, utility administrators should segregate all CARE and LIEE funding authorized today, including those funds collected through the public purpose surcharge, from all other utility funds. The utilities should hold these funds in trust for the benefit of the Commission until they are expended. They should remit funds to the persons or entities with whom they enter into contracts or MOUs, for the performance of the activities authorized for the CARE and LIEE programs, within 30 days of the satisfactory completion of those activities.

45. The utilities should provide the Energy Division with a monthly accounting of their expenditure of the CARE and LIEE funds, as described in this decision.

46. Except as otherwise directed in today's decision, the existing fund-shifting rules for LIEE and CARE should continue to apply.

47. The utilities should continue to comply with all of the reporting and program evaluation requirements we have established for the CARE and LIEE program, including the reporting of costs and effects from these programs on an annual basis, using the Reporting Requirements Manual. In addition, the utilities should file regular status reports on the results of their rapid deployment efforts, as described in this decision.

48. As discussed in this decision, the PY2002 planning cycle described in D.00-07-020, including further consideration of pay-for-measured savings pilots and competitive bid outsourcing, should be suspended until further Commission order.

49. The utilities should formally withdraw A.01-02-013 et al. until directed to resubmit proposals for a pay-for-measured savings pilot by the Commission or Assigned Commissioner.

50. The Phase B issues in R.98-07-037 and associated filings, as set forth in the Assigned Commissioner's Ruling dated March 2, 2001, should be suspended until further notice.

51. Activities to standardize program policies, procedures and improve reporting requirements should continue as directed by the Assigned Commissioner or Administrative Law Judge.

52. The rapid deployment strategy adopted today should continue until further Commission order. The Assigned Commissioner, Administrative Law Judge or Energy Division may initiate checkpoint meetings, workshops or other forums, as appropriate, to monitor utility activities and program accomplishments.

53. In order to proceed with rapid deployment as expeditiously as possible, this order should be effective today.

## **O R D E R**

IT IS ORDERED that:

1. Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), Southern California Edison Company (SCE) and Southern California Gas Company (SoCal), referred to collectively as "the utilities", shall implement the rapid deployment strategy for low-income assistance programs described in this decision, without delay.

2. The following funding levels are adopted for Low-Income Energy Efficiency (LIEE) program deployment, by utility:

	PY2001 LIEE AUTHORIZED (ANNUAL IN RATES)	CARRYOVER FUNDING WITH INTEREST (ONE TIME)	ALLOCATION OF NEW FUNDING (ONE-TIME)	TOTAL AVAILABLE FOR RAPID DEPLOYMENT
<b>SoCal</b>	\$17,999,796	\$14,786,894	\$4,779,330	\$37,566,020
<b>PG&amp;E</b>	\$29,109,000	\$31,043,794	\$0	\$60,152,794
<b>SDG&amp;E</b>	\$6,423,292	\$232,743	\$11,506,991	\$18,163,026
<b>SCE</b>	\$7,174,000	-\$234,211	\$23,713,679	\$30,653,468
	<b>\$60,706,088</b>	<b>\$45,829,220</b>	<b>\$40,000,000</b>	<b>\$146,535,308</b>

PG&E shall allocate carryover funding between its gas and electric departments according to the unspent amounts carried forward within those departments, including interest. As discussed in this decision, SDG&E shall allocate the new LIEE funding appropriated under Senate Bill (SB)X1 5 between its gas and electric departments based on an analysis of the of the costs associated with the new measures for which additional funding authorized, and their applicability within SDG&E's service territory.

3. A total of \$5 million in LIEE program funds, as appropriated by Senate Bill (SB) X1 5 is set-aside for a second round allocation to the smaller jurisdictional utilities.

4. The utilities shall offer the following new LIEE measures, on a pilot basis: the replacement of inefficient air conditioners with high efficiency models, duct sealing and repair, whole house fans, the replacement of inefficient or inoperable water heaters with high efficiency units, the installation of set-back thermostats and evaporative cooler maintenance.

5. Rental units shall be eligible for all LIEE equipment measures, subject to the co-payment requirements described in this decision.



6. As described in this decision, utilities are authorized to negotiate capitation fees, up to \$12 per eligible enrollment in the California Alternate Rates for Energy (CARE) program.

7. An additional \$15 million in CARE program funds, appropriated by SB X1 5, is allocated to cover new capitation fees and expand targeted CARE outreach efforts, such as those described in Attachment 3. However, the utilities shall use of portion of these funds to leverage and coordinate with the outreach efforts funded under the Department of Community Services and Development's Low-Income Home Energy Assistance (LIHEAP) program. In particular, in coordination with the LIHEAP program, utilities may use up to \$2 million of the total \$15 million allocation to fund non-English radio and print advertising for CARE outreach. Out of the \$15 million authorization, utility administrators may develop and fund other collaborative CARE outreach efforts with the Department of Community Services and Development or expand other targeted outreach efforts, such as those described in Attachment 3. These funds are allocated to the utilities as follows:

SoCal: \$3.75 million

PG&E: \$4.50 million

SCE: \$4.50 million

SDG&E: \$2.25 million

8. The remaining \$85 million appropriated by SBX1 5 for CARE shall be allocated to the utilities to cover the increased costs of CARE rate subsidies on an "as needed" basis. Within 60 days from the effective date of this decision, the utilities shall file Advice Letters that include the following information:

- (1) authorized CARE funding currently in rates.
- (2) actual expenses to date for CARE administrative costs (including outreach), and subsidies/credits.
- (3) projections of CARE rate subsidy costs over the next 12 months, including projections of new enrollments.
- (4) a proposed allocation of the \$90 million to cover those costs, based on need that cannot be covered with surcharge-generated revenues.

9. Energy Division shall develop recommendations for the allocation of some or all of the \$5 million in set-aside funds to the smaller jurisdictional utilities. Energy Division shall also develop recommendations for the allocation of some of the SBX1 5 Section (a)(2) supplemental CARE funds to these utilities, as appropriate, as well as reporting requirements for these utilities. For this purpose, Energy Division shall hold workshops with these utilities and interested parties as soon as possible.

10. Prior to the workshops, Energy Division shall send a letter to the utilities listed above requiring the following information, as well as any other information that Energy Division believes will be useful in developing its recommendations:

- (1) the number of eligible low-income households in each service territory (or the portion thereof in California),
- (2) the number currently served under the utilities' existing low-income assistance programs,
- (3) current funding levels for weatherization and energy efficiency programs, and CARE, and

- (4) program plans to expand services to low-income customers, utilizing the leveraging scenarios described in this decision.

Energy Division shall file and serve the workshop report, including its recommendations, no later than 45 days from the effective date of this decision.

11. As soon as practicable, Energy Division shall initiate meetings with the telephone and energy utilities to determine feasible methods of improved coordination between CARE and Universal Lifeline Telephone Service outreach.

12. Today's authorized funding is subject to the following fund-shifting rules:

- (1) Utilities are authorized to shift funds among Big Six and other measures , except that dual-fuel utilities should obtain prior Commission approval before shifting LIEE funds collected in rates between their gas and electric departments.
- (2) LIEE funds shall not be used for CARE program outreach, except in circumstances where this already occurs.
- (3) Not less than 85% of the new LIEE funding authorized today under SBX1 5, Sections 5(a)(1) and 5(a)(3) shall be expended for direct purchases and installations of LIEE measures.
- (4) Administrative costs shall be limited to not more than 2.5% of the amount of new LIEE funds expended under SBX1 5, Sections 5(a)(1) and 5(a)(3). Administrative costs shall include overhead costs associated with the implementation of each measure or program but does not include costs associated with

marketing or evaluation of a measure or a program.

- (5) Priority for the expenditure of SBX1 5 Section 5(a)(1) funds shall be given to the replacement of the oldest and least efficient appliances.
- (6) Except as otherwise directed by today's decision, the existing fund-shifting rules for LIEE and CARE shall apply.

13. All CARE and LIEE funding authorized today, including those funds collected through the public purpose surcharge, is the property of the Commission and not of the utilities. With respect to such funds, utilities shall serve as collection and remittance agents only and have no beneficial interest whatsoever in the monies. The utilities shall segregate all CARE and LIEE funding authorized today from all other utility funds and to not use that funding for any purposes other than as provided for in this decision. While the funds authorized in this decision are in the utilities' possession, the utilities shall hold those funds in trust solely for the benefit of the Commission. The utilities shall remit funds to the persons or entities with whom they enter into contracts or MOUs, for the performance of the activities authorized by the Commission for the CARE and LIEE programs, within 30 days of the satisfactory completion of those activities.

14. The utilities shall provide the Energy Division with a monthly accounting of their expenditure of the CARE and LIEE funds, including amounts provided to specific contractors, and whatever other information the Energy Division may need in monitoring the utilities' compliance with the directives of this decision.

15. The program year (PY) 2002 planning process described in Decision (D.) 00-07-020, including further consideration of pay-for-measured savings pilots and competitive bid outsourcing, is superceded by today's decision and is hereby suspended until further Commission order. Accordingly, the utilities shall formally withdraw A.01-02-013 et al. at this time. The Phase B issues in R.98-07-037 and associated filings, as set forth in the Assigned Commissioner's Ruling dated March 2, 2001, are suspended until further notice.

16. As discussed in this decision, activities to standardize low-income assistance program policies and procedures and to improve reporting requirements shall continue as directed by the Assigned Commissioner or Administrative Law Judge.

17. The utilities shall continue to comply with all of the reporting and program evaluation requirements we have established for the CARE and LIEE program, including the reporting of costs and effects from these programs on an annual basis, using the Reporting Requirements Manual. In addition, utilities shall file regular status reports on the results of their rapid deployment efforts. The initial status report are due 60 days from the effective date of this decision. Status updates are due every 30 days thereafter, until further order by the Commission or Assigned Commissioner. These reports shall include:

- (1) a description of the leveraging and outreach activities for both LIEE and CARE programs, including bulk purchases.
- (2) the number of CARE enrollments and LIEE measure installations completed to date (by type of measure), as well as the number

initiated but not completed (by type of measure.)

- (3) estimated energy savings, including peak electric load reductions for the LIEE program.
- (4) estimated customer bill savings and
- (5) authorized funding versus actual expenditures by budget category. Expenditures on capitation fees should be tracked as a separate line item.
- (6) a worksheet showing the percentage of new LIEE funding that is spent on direct purchases and installations of LIEE measures so that compliance with SBX1 5 Section 5(h) can be monitored, and
- (7) a worksheet showing the percentage of new LIEE funding that is spent on administrative costs, so that compliance with SBX1 5 Section 5(c)(2) can be monitored.
- (8) description of the outreach provided to California Indian tribes so that compliance with SBX1 5 Section 5(j) can be monitored.

In developing the savings estimates under (3) and (4) above, the utilities shall utilize the standard practices incorporated into the Reporting Requirements Manual or adopted by Commission order. As discussed in this decision, SDG&E shall include in its initial report an allocation of new LIEE funding between its gas and electric departments based on an analysis of the costs of the new gas and electric measures added to the program. The utilities shall work with Energy Division to ensure that these reports provide the information necessary to effectively monitor program results on a regular basis. Energy Division, with input from the utilities

and ORA, shall develop the reporting format for these new reporting requirements.

18. The new LIEE measures we authorize today shall be deployed on a pilot basis, and be evaluated for permanent inclusion into the program based on statewide measure selection criteria. As described in this decision, the Standardization Project Team shall develop recommendations for evaluating these new measures, including reporting requirements, evaluation methodology, budget and schedule. The Standardization Project Team's recommendations shall be filed and served within 60 days from the effective date of this decision. Comments are due 15 days thereafter. The Assigned Commissioner is authorized to establish the scope, schedule and budget for this evaluation process, in consultation with the Energy Division.

19. The rapid deployment strategy adopted today shall continue until further Commission order. The Assigned Commissioner, Administrative Law Judge or Energy Division may initiate checkpoint meetings, workshops or other forums, as appropriate, to monitor utility activities and program accomplishments.

20. All reports or filings required by today's decision shall be filed in this proceeding and served via US mail and electronic mail on all appearances and the state service list in this proceeding and in Rulemaking 98-07-037. The status reports filed under Ordering Paragraph 17 shall also be served on the Assigned Commissioner.

21. Today's adopted funding levels for LIEE and CARE shall be in effect until further Commission order.

This order is effective today.

Dated May 3, 2001, at San Francisco, California.

LORETTA M. LYNCH  
President  
HENRY M. DUQUE  
RICHARD A. BILAS  
CARL W. WOOD  
GEOFFREY F. BROWN  
Commissioners



## **Attachment 1**

### **Acronyms**

ALJ	Administrative Law Judge
BTU	British Thermal Unit
CARE	California Alternate Rates For Energy
CFL	Replacing incandescent bulbs with compact fluorescent bulbs
DCSD	Department of Community Services and Development
G/LIF	Greenlining Institute and Latino Issues Forum
LIEE	Low-Income Energy Efficiency
LIHEAP	Low-Income Home Energy Assistance Program
MOU	Memorandum Of Understanding
ORA	Office of Ratepayer Advocates
PG&E	Pacific Gas and Electric Company
PHC	Prehearing Conference
PY	Program Year
RESCUE	Residential Service Companies' United Effort
SCE	Southern California Edison Company
SDG&E	San Diego Gas & Electric Company
SESCO	SESCO, Inc.
ULTS	Universal Lifeline Telephone Service
Winegard	Winegard Energy
Working Group	Reporting Requirements Manual Working Group

**(END OF ATTACHMENT 1)**

## ATTACHMENT 2

### CONSENSUS AND NONCONSENSUS REACHED ON RAPID DEPLOYMENT OF CARE AND LIEE PROGRAMS

#### I. CONSENSUS ISSUES—LIEE

- Almost all of the workshop participants agreed that any new and/or carryover funds should be concentrated on measures that will achieve the highest **bill** savings for the individual customers.
- Workshop participants agreed that Low-income Energy Efficiency Program (LIEE)<sup>1</sup> funds should not be used for California Alternate Rate for Energy Program (CARE) outreach except in circumstances where this already occurs (when an LIEE contractor visits a customer to perform weatherization services and signs the customer up for CARE in the process).
- Workshop participants agreed that unspent carryover funds may be used to provide new measures.
- Workshop participants agreed that new funds may be used to ramp up current programs and may also be used to provide new measures.
- Representatives from several Community-Based Organizations (CBO's), Latino Issues Forum (LIF), and the Department of Community Services and Development (CSD) agreed that the carryover and any new funds should be leveraged with other programs and used to accomplish holistic approaches to installing measures and providing services that will meet customers' total energy needs.

#### II. NONCONSENSUS ISSUES--LIEE

Workshop participants discussed but did not agree on the following points:

- Unspent program funds should be split between the gas and electric departments for each dual-fuel utility
- Interest should accrue on unspent funds from prior program years at the three month commercial paper rate.

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<sup>1</sup> Attachment R explains each acronym or abbreviation that occurs in this report.

- Interest accrued on unspent program funds from prior program years should be used to supplement total funds available to implement LIEE programs.
- Gas and electric funds can be used to reduce kWh consumption only with Commission approval.
- New program funds should be allocated between utilities by either: 1) using the standard formula; 2) distributed proportionately among electric utilities; 3) to those utilities with little or no unspent program funds from prior years, or 4) limited to the installation of electric measures.
- After allocating new program funds between utilities, any new program funds should be split between gas and electric departments for dual-fuel utilities.
- Utilities should use their "buying power" to purchase appliances and other items and make them available to those assisting customers. For example, utilities would pay for materials and others providing assistance to low-income persons would pay for the cost of installation.
- Programs need to be leveraged -- measures in one program should be "piggybacked" on the measures offered in another program for a "whole house" approach to serving customers and so that costs of services can be shared. This could be managed by a Memo of Understanding between parties.
- Programs should be opened up to additional CBOs.
- Programs should be providing individual customers with the greatest relief rather than assessing the programs on the aggregate.
- Programs should be targeted to the customers with the greatest need.
- Sign up referrals from LIHEAP for LIEE without further qualification.
- A program should be implemented to distribute CFLs and provide energy education, allowing program funds to benefit many more customers.
- New measures should not be subject to selection criteria, scrutiny by the Weatherization Installation Standards Team, or pilots.
- The degree to which any new or supplemental funds should be spend on new measures.

- Funds should be spent only on homes not receiving weatherization before.
- Programs should be able to provide any new measures to previously treated homes.
- The following measures should be available to residents who live in rental units as well as owner-occupied units:
  - Refrigerators
  - Replacement air conditioners
  - Evaporative cooler maintenance
  - Duct sealing and repair
  - Measures from other programs
- Landlords should be required to provide a co-payment on new measures provided in rental units.
- Current contract unit allotments should be minimums.
- New and unspent LIEE funds should be directed to community service providers who are able to leverage.
- New monies should be directed to community service providers for CFL distribution.
- With the focus on energy conservation, programs that address overall energy usage reduction should be considered.

### **III. CONSENSUS ISSUES—CARE**

- The workshop participants agreed that it would be appropriate for the utilities to pay a capitation fee to organizations that successfully certify new customers for the CARE program in instances where the organization isn't already doing so at no cost. The capitation fee would be paid on a regular basis (perhaps monthly) after the utility processes the application, deems the customer is eligible for CARE and determines that the customer is not already on CARE. It was agreed that the capitation fee might have to vary depending on the area where the service is performed. Application forms would need to have a field for an organization code which would be used to identify the organization.

- Many of the workshop participants agreed that a capitation fee negotiated between each utility and its contracting anywhere in the \$5 to \$12 range would be reasonable. The Office of Ratepayers Advocates (ORA) would support capitation fees up to \$7 for each successfully completed application.
- Workshop participants suggest that the Commission should do what it can to get the energy and telephone companies to work together to leverage the Universal Lifeline Telephone Service (ULTS) and CARE programs' outreach.
- In its workshop comments, SESCO, Inc. (SESCO) suggested that the utilities implement third party notification for CARE customers such as currently exists for utility shut-offs. If a CARE customer did not respond to a re-certification letter, the designated third party would be notified to give them the opportunity to help the customer complete the application. Pacific Gas and Electric Company (PG&E), Southern California Gas Company (SoCal Gas), Southern California Edison Company (Edison) and San Diego Gas & Electric Company (SDG&E) agreed to further exploration of this idea.

#### **IV. NONCONSENSUS ISSUES--CARE**

Workshop participants discussed but did not agree on the following points:

- CARE renewal could be completed at anytime in the cycle.
- CSD making CARE application part of LIHEAP sign up.
- The Commission should refrain from "monopolizing" CARE outreach and should allow many types of organizations to provide CARE outreach.
- A capitation fee should be negotiated for successful sign-ups and an additional capitation fee should be negotiated or provided for a combination of outreach and enrollment.

## **ATTACHMENT 3**

### **CARE OUTREACH PILOTS AND OTHER RECENT ACTIVITIES<sup>1</sup>**

#### **A. *Update on Current Utility Outreach Pilots***

The following presents an update on the CARE outreach pilots that begun on June 1, 2000.

##### **1. SCE**

SCE stated that 9 agencies were working in its pilot. The pilot was projected to enroll 12,000 new CARE customers, and by the end of the eighth month the pilot has produced 4,700 applications. Of these, 164 were rejected. Some of these applications were for households already receiving the CARE discount and some were for individuals who were not SCE customers.

The agencies are supposed to outreach to 157,000 customers by the end of the pilot and so far have reached 70,000 to 80,000. The agency that is doing the best job of reaching its goals is the Community Action Agency in Orange County. It had 1,700 enrollees by the end of 2000. The reason for this agency's success seems to be that it has a large client base and reaches many people. The agency sent flyers to program participants, conducted workshops, and got the word out on CARE through its food distribution system. The least successful agency was one that targeted a particular ethnic group with a smaller client base.

SCE pointed out that it is exchanging CARE customer information with SoCal now on an ongoing basis, and that process has helped to enroll 50,000 new CARE customers. Another 50,000 customers identified through this process were sent letters asking them for clarifying information to determine if they qualify for CARE.

##### **2. PG&E**

PG&E has 8 contractors in its CARE outreach pilot. At the end of February, the contractors had met 46% of their outreach goals. . The goal is to outreach to 12,000 to 15,000 people with CARE information. The overall goal is to add 10,000 new CARE customers as a result of the pilot and 4,676 have been added so far.

PG&E has been sending out applications in bill inserts and its LIEE contractors are also outreaching on CARE. PG&E sent out a new application as a result of its recent memorandum of understanding (MOU) with LIF. PG&E is receiving a lot more applications in general, probably as a result of the energy crises. PG&E expects that these other outreach efforts are impacting the pilot programs.

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<sup>1</sup> From: "California Alternate Rate For Energy Program Outreach and Rapid Deployment of any New and Unspent Low-Income Energy Efficiency Funds", Workshop Report, April 17, 2001.

PG&E's most successful pilot contractor has two CBO's working with it. These organizations are going door to door to provide information to people. This agency has reached 69% of its goal.

PG&E's least successful agency has only met 12 ½ % of its outreach goal.

### **3. SoCal**

SoCal has 6 agencies in its CARE pilot outreach program. The outreach goal for providing information to people is 53,210, of which 21,442 have been reached. The enrollment goal is 9,590. SoCal has received 2,548 applications so far. 77% of the applications received through the pilot resulted in new CARE sign ups.

SoCal indicated that some agencies overestimated the number of people to whom they would be able to provide outreach services and enrollment. SoCal believes that one of the biggest problem agencies are experiencing seems to be staff turnover. Also, some agencies only do outreach in cyclical activities such as fairs and at specific food distribution times.

SoCal believes that the extensive media coverage that has been provided on the recent energy crisis has helped gain it new enrollees. Since February of 2000, SoCal added 40,000 new enrollees. In February of 2001 alone, they enrolled 10,000 new CARE customers.

SoCal stated that its most successful agency is a large, well-established CBO that provide a wide variety of services to a large client base. That agency has a goal of reaching 15,000 customers and has so far reached 6,398. Its enrollment goal is 2,100 and, so far, it has enrolled 1,135 customers in CARE.

SoCal indicated that smaller CBO's with more targeted client bases were less successful in meeting their goals. The least successful agency, a drug rehabilitation group, has a goal of reaching 20,000 customers and has reached 4,504, to date. Its enrollment goal is 2,500, but it has only enrolled 93 customers in the CARE program so far.

SoCal stated that handing out flyers at food banks was a successful means of reaching new customers, whereas an agency that specialized in sign language was not very successful in meeting its goals.

SoCal indicated that another problem that the agencies are reporting is that clients are not showing up for appointments.

SoCal stated that it is working with CSD to coordinate customer referrals between its gas assistance program and LIHEAP.

#### **4. SDG&E**

SDG&E has 3 contractors, a faith-based CBO, a health clinic, and an agency associated with the AFL/CIO. The total outreach goal for the program is 40,000 to 50,000 customers. The enrollment goal is 6,355 customers. As of the date of the workshop, 4,006 applications have been received and 80% of those have been accepted. Some of the remaining 20% were for customers already in CARE and some of those applications are being used to recertify those current customers whose time for recertification is coming up soon. The success rate of the agencies in meeting their goals has been; health clinic 80%, AFL/CIO 65%, and the faith-based CBO 30%.

The health clinic has been reaching out to farm workers and immigrants and has a very enthusiastic staff. The faith-based CBO is a well-established agency with numerous programs such as HeadStart and food distribution. SDG&E believes that the success rate of an agency seems to be based more on the quality of the agency's staff as opposed to the type of services provided by the agency.

##### ***B. Recent Utility Outreach in Addition to the Pilots***

The following describes other CARE outreach activities that the utilities performed over the last year that was in addition to the CARE outreach pilots.

##### **1. SCE**

SCE stated that it ran CARE ads in the Penny Saver in June of 2000 and discovered that the number of applications it received doubled afterwards. The company also did a targeted CARE mailing to 100,000 customers and 10,000 customers responded to it. The electronic data exchange of CARE customer information with SoCal resulted in 50,000 customers being placed on the CARE discount. 2,000 customers who received LIEE services were enrolled in CARE.

SCE contacted every city and county in its service territory as well as 700 CBO's to give them information on CARE that could be distributed to customers. Articles on CARE were placed in community newspapers. SCE employee groups are contacting friends and family about the CARE program. SCE put 45,000 CARE applications in its 350 authorized payment agencies.

The County of San Bernardino agreed to mail CARE applications to all of its welfare recipients. CARE applications were distributed to 100 grammar schools in the LA school district. The LA Archdiocese agreed to distribute CARE applications to its congregations. SCE also reviewed its customer data base to determine which customers had received LIEE services in the past but were not on CARE. Those customers were contacted and sent CARE applications as well. SCE's CARE application was put on the company's website so that it can be downloaded and filled out. Additionally, as a result of its MOU with LIF, SCE sent CARE applications to all of its customers recently.

Some of the things SCE is hoping to do in the future to increase CARE penetration include:



- Mailing a second application to customers who fail to respond to the recertification application sent to them;
- Automatically transfer the CARE discount to a customer's new address when a CARE customer moves;
- Preprint new CARE applications with the customer's name, address and billing information on them to make the application easier to fill out and process;
- Track new CARE applications with a resource code so the company will know the source of the application, i.e. ( CBO outreach effort, pilot program, company mailing, etc.); and
- Target CARE mailings to specific customers based on various demographic data.

## **2. PG&E**

In program year 2000, PG&E sent CARE information to all of its customers on three separate occasions in four languages. One mailing had tear off coupons that allowed customers to request a CARE application. 70,000 requests were received as a result of that mailing.

The energy crisis and higher bills have been an incentive for more customers to sign up for CARE. PG&E stated that a year ago its CARE penetration rate was only about 34% and now it is up to 44%.

Due to the recent MOU with the Greenlining Institute and LIF, PG&E sent CARE applications to all of its customers along with information about the CARE exemption from the electric surcharge that was approved.

The number of CARE applications received at PG&E has tripled from last year. 31,000 applications were received in January 2001 and 46,000 were received in February 2001. PG&E has also been doing multicultural and multilingual public service announcements (PSA's) to get more CARE information out to customers. The Interactive Voice Response (IVR) at PG&E's call center has been updated to provide CARE information to people calling in. PG&E has placed CARE information in local newspapers in English, Chinese, Vietnamese and Spanish. Radio ads in the central valley have been effective in getting the CARE message out. 30,000 CARE applications were sent to CBO's who are not in PG&E's pilot outreach program. PG&E has been advertising CARE at community fairs in San Francisco and the East Bay. PG&E employees have been doing voluntary outreach on CARE to family, friends and their communities.

PG&E has a downloadable CARE application on its website in Spanish and English. The company hopes to improve its website by installing an application that can be filled out online and submitted. This would be useful for both individual customers and agencies doing outreach.

PG&E has ongoing PSA's on CARE. There are 25 to 30 agencies outside of the pilot that are disbursing CARE information and some of them will help customers fill out the applications as well. These organizations are both passing out CARE applications

and helping customers fill out the applications at no cost to PG&E. CARE applications were distributed at the recent energy fair in San Francisco and 5,000 applications were distributed at the Day of the Dead Fair in Oakland last November.

### **3. SoCal**

SoCal stated that it has updated its IVR to provide information on CARE when customers call in. The company has been doing two bill inserts a year to customers with information on CARE. The data exchange with SCE has increased the number of CARE signups for SCE. SoCal is currently working with data files provided by SCE and does not yet have information available on that element of the data exchange. Customers receiving LIEE services are signed up for CARE when records can be matched.

The company is working with CSD to coordinate customer referrals between its gas assistance program and the LIHEAP program to identify customers who may qualify for CARE. The company has contacted 120 United Way agencies to get the CARE message out. The company offers CARE applications and call assistance in 5 languages. Customers can request a CARE application through the company's IVR. A CARE application may be requested by e-mail. The company is doing ongoing press releases and media outreach through print, radio and bulletins. Some of these activities are being targeted to ethnic and known low-income communities. The company worked with the Electric Education Trust (EET) to distribute 20,000 CARE applications through agencies with whom the EET was contracting. CARE information has also been printed on the face of the company's bills to make it more noticeable to customers.

CARE information is being distributed by Riverside County and the company distributed CARE information at a recent marathon in Los Angeles. The company distributed CARE information at family festivals in Monrovia as well. The company is considering placing CARE information on the front of its bills in the future at the same time that it includes bill inserts on CARE.

### **4. SDG&E**

SDG&E stated that it informs customers about CARE on each incoming call to its business office when customers calls about billing questions, late payments, payment arrangements, etc. The company has provided customers with bill inserts like the other utilities. In July, 2000, the company did a direct mailing about CARE to targeted groups. 115,000 letters went out to customers not on CARE and 20,000 customers responded. LIEE contractors are helping customers fill out CARE applications. The company is using kiosks in malls to distribute CARE applications and information. Energy education classes are also being provided to interested customers.

Program personnel involved in the company's hard-to-reach and senior torchiere and CFL exchange program are taking CARE applications with them to sign up new customers. The company is distributing CARE applications when energy audits are done. A community group put the CARE application in its community newspaper twice in Vietnamese which was a successful means of getting new customers on CARE. The

company would like to try this with other ethnic groups as well. The company also wants to get more military organizations involved in CARE because many enlisted persons qualify for the CARE discount. SDG&E currently sends a reminder letter to customers who have not returned their recertification letters.

For the future, SDG&E plans to place ads in agency newsletters and community papers. A message will also appear on the last bill the customer receives before they are dropped off the CARE rate after the recertification letter has been sent. SDG&E also has extended its shut off moratorium if customers are willing to make payment arrangements. Field collectors will deliver CARE and LIHEAP information to customers when they post 48 hour shut off notices. The company also plans to attend senior citizen events and distribute information.

ATTACHMENT 4  
LIEE CARRYOVER FUNDING AND INTEREST

UTILITY	PROGRAM YEAR	PROGRAM BUDGET - AMOUNT AUTHORIZED	REPORTED	UNSPENT FUNDS	CUMULATIVE AMOUNT WITHOUT INTEREST	SIMPLE INTEREST	CUMULATIVE AMOUNT WITH INTEREST
<b>SoCal Gas</b>	1997	\$21,146,000	\$14,112,000	\$7,034,000	\$7,034,000	\$195,897	\$7,229,897
	1998	\$18,000,000	\$14,254,000	\$3,746,000	\$10,780,000	\$377,726	\$11,353,623
	1999	\$18,000,000	\$17,036,000	\$964,000	\$11,744,000	\$587,876	\$12,905,499
	2000	\$17,999,796	\$16,896,709	\$1,103,087	\$12,847,087	\$778,308	\$14,786,894
		<b>\$75,145,796</b>	<b>\$62,298,709</b>	<b>\$12,847,087</b>	<b>\$12,847,087</b>	<b>\$1,939,807</b>	<b>\$14,786,894</b>
<b>PG&amp;E</b>	1996	\$27,163,000	\$24,969,000	\$2,194,000	\$2,194,000	\$59,348	\$2,253,348
	1997	\$27,163,000	\$24,001,000	\$3,162,000	\$5,356,000	\$210,268	\$5,625,615
	1998	\$29,109,000	\$18,175,000	\$10,934,000	\$16,290,000	\$581,195	\$17,140,810
	1999	\$29,109,000	\$23,291,000	\$5,818,000	\$22,108,000	\$1,002,188	\$23,960,998
	2000	\$29,109,000	\$23,600,000	\$5,509,000	\$27,617,000	\$1,573,796	\$31,043,794
		<b>\$141,653,000</b>	<b>\$114,036,000</b>	<b>\$27,617,000</b>	<b>\$27,617,000</b>	<b>\$3,426,794</b>	<b>\$31,043,794</b>
<b>SDG&amp;E</b>	2000	<b>\$6,423,292</b>	<b>\$6,197,689</b>	<b>\$225,603</b>	<b>\$225,603</b>	<b>\$7,140</b>	<b>\$232,743</b>
<b>SCE</b>	1996	\$7,633,500	\$7,633,478	\$22	\$22	\$1	\$23
	1997	\$7,361,000	\$7,393,503	(\$32,503)	(\$32,481)	\$1	(\$32,479)
	1998	\$7,274,128	\$7,189,819	\$84,309	\$51,828	\$519	\$52,349
	1999	\$7,283,075	\$7,167,250	\$115,825	\$167,653	\$5,728	\$173,903
	2000	\$7,174,000	\$7,592,726	(\$418,726)	(\$251,073)	\$10,612	(\$234,211)
		<b>\$36,725,703</b>	<b>\$36,976,776</b>	<b>(\$251,073)</b>	<b>(\$251,073)</b>	<b>\$16,862</b>	<b>(\$234,211)</b>
<b>TOTAL</b>		<b>\$259,947,791</b>	<b>\$219,509,174</b>	<b>\$40,438,617</b>	<b>\$40,438,617</b>	<b>\$5,390,604</b>	<b>\$45,829,221</b>

Note: Interest is calculated using the average 3-Month commercial paper rate for each year. Interest is calculated on the previous year's cumulative total and the weighted average of the current year's unspent portion. The average 3-Month commercial paper rate for 1996 is 5.41%, 1997 is 5.57%, 1998 is 5.37%, 1999 is 5.22%, and 2000 is 6.33%. An adjustment was made to the interest on SoCal Gas' 1998 unspent funds to reflect that some of the collection of the 1998 authorized program funding occurred in 1999.

## ATTACHMENT 5

## COMBINED ALLOCATION OF NEW AND CARRYOVER LIEE FUNDING

UTILITY	PROGRAM YEAR 2000 AUTHORIZED	RES E- 3585 ALLOC. FACTORS	SECTION 5(A)(3) FUNDS	SECTION 5(A)(1) FUNDS	TOTAL NEW	CARRYOVER	
			(\$20M) LESS \$5M SET- ASIDE	(\$25M)		(WITH INTEREST)	NEW PLUS CARRYOVER
<b>SoCal</b>	\$17,999,796	25.00%	\$3,750,000	\$6,250,000	\$10,000,000	\$14,786,894	\$24,786,894
<b>PG&amp;E</b>	\$29,109,000	30.00%	\$4,500,000	\$7,500,000	\$12,000,000	\$31,043,794	\$43,043,794
<b>SDG&amp;E</b>	\$6,423,292	15.00%	\$2,250,000	\$3,750,000	\$6,000,000	\$232,743	\$6,232,743
<b>SCE</b>	<u>\$7,174,000</u>	<u>30.00%</u>	<u>\$4,500,000</u>	<u>\$7,500,000</u>	\$12,000,000	-\$234,211	\$11,765,789
<b>TOTALS</b>	<b>\$60,706,088</b>	<b>100.00%</b>	<b>\$15,000,000</b>	<b>\$25,000,000</b>	<b>\$40,000,000</b>	<b>\$45,829,220</b>	<b>\$85,829,220</b>

NOTE: Carryovers with interest are from Attachment 4

The allocation to PG&E of new plus carryover funds, based on the Res. E-3585 factors, is adjusted upwards to ensure that PG&E's carryover funding is not allocated to other utilities. The allocations to the other utilities are adjusted commensurately downwards, based on their relative allocation factors for new funding, i.e, SoCal absorbs 35.7% of the adjustment (25%/70%), SDG&E absorbs 21.4% of the adjustment (15%/70%) and SCE absorbs 42.8% (30%/70%).

<b>ALLOC. %</b>	<b>ALLOC. WITH RES-E FACTORS</b>	<b>ADJUSTM. REQUIRED FOR PG&amp;E'S CARRYOVE R</b>	<b>FINAL ALLOCATION (TOTAL)</b>	<b>FINAL ALLOCATION OF CARRYOVER</b>	<b>FINAL ALLOCATION OF NEW FUNDING</b>
29%	\$21,457,305	-\$1,891,081	\$19,566,224	\$14,786,894	\$4,779,330
50%	\$25,748,766	\$5,295,028	\$31,043,794	\$31,043,794	\$0
7%	\$12,874,383	-\$1,134,649	\$11,739,734	\$232,743	\$11,506,991
14%	\$25,748,766	-\$2,269,298	\$23,479,468	-\$234,211	\$23,713,679
<b>100%</b>	<b>\$85,829,220</b>	<b>\$0</b>	<b>\$85,829,220</b>	<b>\$45,829,220</b>	<b>\$40,000,000</b>

(END OF ATTACHMENT 5)